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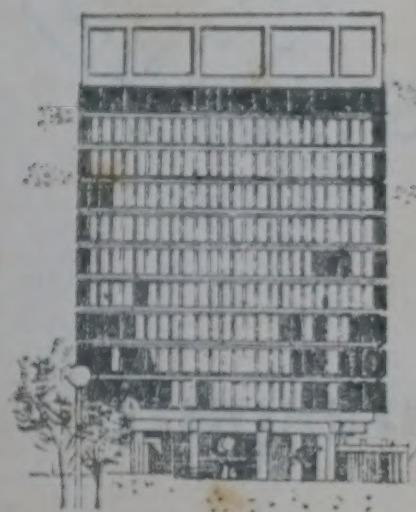
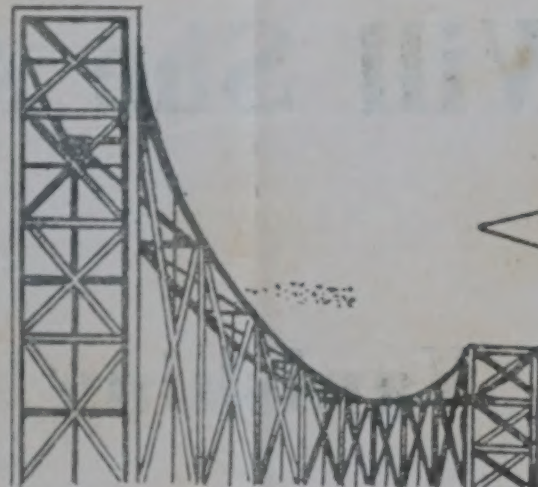
Will She Answer?

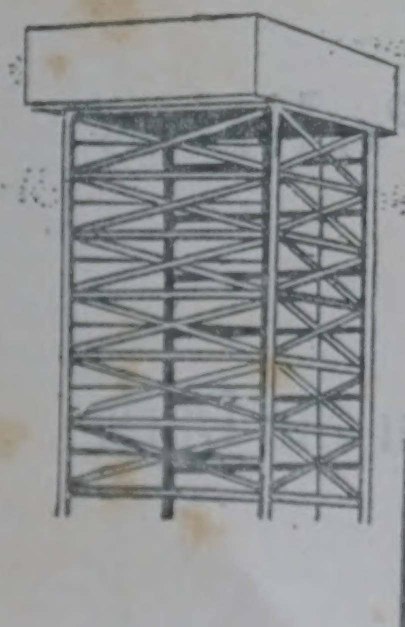
Vanishing Vanaspati

Tea and Politics

SAIL Groping in the Dark







Will she answer?

THE PRIME MINISTER received a 'warm' welcome when she returned to the capital after visiting President Tito and Prime Minister Trudeau. The warmth was due partly to the weather which Delhi experiences at this time of the year and partly to a man-made breakdown in the supply of electricity to homes, offices and factories. This is not to imply that Mrs Gandhi herself had experienced any personal discomfort due to the power failure—the prime minister's establishment is presumably far too resourceful to let any thing like that happen. But it was certainly a fact that the bulk of the citizenry had to sweat it out and it would have been only natural had some part of this warmth been imparted to the reaction of the prime minister's presence again in their midst.

Mrs Gandhi, herself, was, however, still very much in imagination in the cold-to-temperate climes she had been recently sojourning in, even hours after she had landed in sweltering Delhi. She went on assuring a rather listless audience that her visit abroad had been most worthwhile. She also managed to slip in a phrase about frequent meetings between world leaders having become an accepted and familiar feature of international relations. So far the president of Yugoslavia and the prime minister of India have been billed only as Third World leaders and Mrs Gandhi should certainly be congratulated on having graduated herself quietly out of that fractional status to full-fledged eminence. As for Mr Trudeau, the elevation to the position of a world leader, though pleasant, must have come as somewhat abrupt news. In the 25 years or more since independence this country may have failed in many of its aims and it is therefore particularly comforting to learn that it has succeeded at least in its bid to build up its prime minister into a world leader—a process which was initiated by Jawaharlal Nehru and has presumably been completed by his daughter. The rise in the international prestige of the Indian prime minister, it seems, has been at least as impressive as the surge in its total population.

Population, unfortunately, remains our main problem. Seeing that government policies are making certain that our national capacity to increase production, step up investment, reduce unemployment or raise the standard of living remains limited, it would have made things somewhat easier for us all had our population at least been adding to itself to a much less extent. This however has not been the case. The result is that the country is running short of supplies essential to human existence and over a period is becoming dependent on other countries for more and more of these essential commodities. This basic economic problem is becoming so complex and obstinate that the ruling party is becoming more and more inclined to run away from it. This explains why its leaders prefer to spend their time, energy or resources on bickering among themselves.

If in Orissa, Uttar Pradesh, Bihar and Gujarat there had existed the proper political and psychological environment for the state governments to engage themselves in constructive administrative chores and urgent and important economic exercises, they could have functioned with some stability in their personnel and purpose. In its absence so many state ministries find themselves rising or falling under the pressure merely of manipulative factional politics. It may be that Mr L. N. Mishra is particularly to blame for the vulgar floor show to which Bihar politics has been reduced, with one chief minister after another being stripped of all personal dignity or political credibility. It may be true, again, that Mrs Gandhi has been singularly unfortnnate in her choice of satraps to rule the provinces in her imperial name. But more relevant than the failings or foibles of individual men or women is the lack of serious purpose which is paralysing the prime minister's party as a whole.

Soon after her return to the capital and on being asked by newspapermen whether she would be reshuffling her cabinet, Mrs Gandhi replied that she had no such intentions. She is of course under no obligation to take the press or the public into her confidence in a matter like this, but assuming that she was really speaking out her mind, the fact that she is not speaking in terms of a cabinet reshuffle only emphasizes the paralytic state of her party and naturally her leadership of it. If anything is at all clear about the present political or economic situation in the country, it is that the government in New Delhi, as at present constituted, is not capable of delivering the goods. There are far too many feeble and stale men playing truant with or betraying the responsibilities of their portfolios in Mrs Gandhi's current council of ministers. There are again far too few men in her team who are capable of responding adequately to the creative task of energising the economy. Even the very small number of ministers who do amount to something in these terms seem unable to function purposefully or effectively because of the surrounding miasma. If, in spite of all this, Mrs Gandhi were to hesitate to reorganise

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her ministry or rehabilitate it in the people's trust or esteem, it would surely be abundant evidence of a failure of will or nerve on her part to perform as the prime minister should and govern the country as it has a right to be governed. Can it be that the heady cocktail of two sweeping election victories plus Bangladesh has now produced a reaction? Has Mrs Gandhi become so satisfied with her past achivements that she is now tired of attempting anything more at all? Is she playing the game of make-believe world leadership as an escape for her from the national responsibilities of her official position? A land and its people, for whom their traditional mass poverty is now turning into an impossible nightmare through rising prices and growing unemployment, surely have a right to raise these questions.

Vanishing vanaspati

The paucity of vanaspati (hydrogenated /egetable oil) all over the country during the past few weeks has been the result of a number of factors, the most important being chronic deficiency in the supply of oils and the government's failure to import them in time. While the consumption of both edible oils and vanaspati has been on the increase for the past many years partly because of the rise in population and partly due to a steady increase in eal and money incomes of the people, the output of oilseeds in this country has emained largely stagnant. In order to cover up the gap between demand and supply of edible oils, the government of ndia has been under compulsion, year after year, to import them. The industry has complained that this year it did not get the imported edible oils in requisite volume for months together and it had no option but to curtail production.

It may be stated that the normal production of vanaspati in this country has been around 50,000 tonnes a month. While in May last year the production of vanaspati was 49,488 tonnes, it dropped by more than 50 per cent to 23,800 tonnes only in the corresponding month this year. Again, in the five-month period ending May last year, the vanaspati manufacturers were able to utilise 9.7 per cent of their installed capacity which came down to 30.9 per cent only n the corresponding five months this ear. No wonder that this country has xperienced a grave shortage of vanaspati and it seems to have almost vanished rom some areas. In the capital at one ime, the small pack of one kg of anaspati was not available even at Rs 10.50 while the controlled price was Rs 7.69.

Due to the drought in Gujarat, Maharashtra, and Andhra Pradesh—the major groundnut producing states—the groundnut crop in 1972-73 was sizeably reduced t 4.2 million tonnes as against 5.7 million tonnes in the preceding year. This resulted in a sharp spurt in groundnut oil prices which rose well beyond Rs 7,500 a tonne. On the other hand, the price of the imported soyabean oil was around Rs 2,800 a tonne. Naturally the vanaspati manufacturers were anxious to use increasing quantities of the imported edible oils which, however, were not available. Even cottonseed oil was cheaper than groundnut oil and the manufacturers turned to it so as to reduce the cost of manufacture. The shortfall in groundnut oil this year has been partly met by the bumper mustard crop and increased quantities of cottonseed yielded by a relatively good cotton crop.

The following table illustrates the changes in the supply position of different oils for the production of vanaspati during the first four months of 1972 and 1973 :

Oil Consumption from January to April

	(Tonnes) 1973	1972
Groundnut oil	54,708	124,719
Cottonseed oil	65,119	43,276
Sesame oil	13,405	12,051
Mustard, Safflower and other indigenous oils	10,091	2,939
Imported oils	26,997	21,566
	170,320	204,551

Thus, the supply of imported oils has been highly inadequate keeping in view the shortfall in the output of edible oils, especially groundnut oil. On May 1, 1973, the industry had to receive about 23,000 tonnes from the State Trading Corporation.

Even in the last quarter of 1972 it had become abundantly clear that this industry would have to face an acute shortage of edible oils due to the damage caused by drought to the oilseeds crops. Then, why was the government slow in taking the corrective action? It is reported that the USA had thrown feelers for the supply of soyabean oil under PL 480 but our government showed no keenness about it. Granted that the government was committed to exhibit an increased measure of self-reliance and was anxious to enter the world markets of edible oils as a buyer by paying hard currencies, but it failed miserably in sizing up the demand of the country for imported edible oils and took the necessary steps, however inadequate, rather belatedly. The Canadian credit for the purchase of oilseeds was also handled ineptly with the result that the physical quantity received was reduced due to the rise in international prices. The sad story of food imports at high prices was repeated in the case of oilseeds also. Once the oilseeds had arrived in the country, even then valuable time was lost in framing a policy for getting them crushed. In fact, the present vanaspati crisis has been accentuated to some extent by the sheer inertia and incompetence of the bureaucratic machinery.

The cost price of vanaspati is dependent upon the proportions in which different edible oils are used. While in the past, the share of groundnut oil was large, it has been steadily going down yielding place to cheaper oils. The official formula designed to fix the market price of vanaspati in different zones of the country takes this factor into account. Every time the prices of edible oils rise, the manufacturers plead for an increase in the price of vanaspati which does not receive a sympathetic consideration from the government. For example, during the past five months the price of vanaspati has been revised only twice and not very adequately despite the fact that there has been a sharp increase in the market prices of the edible oils. When the price of vanaspati is unchanged for months together and the government is not in a position to provide the vanaspati manufacturers with cheap imported oil in adequate quantities, the losses of the units mount up. They continue to produce vanaspati in the hope of recovering losses on the receipt of imported oils but in this process, the bulk of the working capital is lost and the factories come to a grinding halt. This is what happened in May. While June was better, July may be much worse.

An anomaly had emerged as a result of all these factors. While the controlled price of a 16.5 kg tin of vanaspati was Rs 100, in May the market price of refined groundnut oil in the Bombay market was reported to be around Rs 125. This gave an argument to the unscrupulous retailer to charge a higher price for vanaspati. The consumer was hurt but was helpless under these circumstances. The steps

taken by the government so far have been inadequate because the inflated demand for vanaspati can be met by increased production only and not by any magical mode of distribution.

The state governments have put restrictions on the movement of vanaspati produced within their boundaries but the procedure for distribution is far from flawless. In the capital, however, the administration has not put a ban or despatches to other states even though the public has been put to limitless harassment in the purchase of vanaspati. Because of the sizeable difference between the controlled and market prices of vanaspati, some unemployed persons have adopted the profession of joining the long queues of vanaspati purchasers at the distribution centres and pocketing the difference by selling it in the free market. The queues are very long that a person in need can hardly afford to waste the time needed to make a purchase. Moreover, the extreme shortage of edible oils in this country has made the manufacturers hunt for substitutes. They have made liberal use of mustard oil but the government has put the restriction that the factories should not use more than 15 per cent of it in the total edible oil consumed. There is danger that some unscrupulous manufacturers might start using some of the cheaper oils (such as linseed oil) which are known to have unfavourable effect on health. The government must see to it that the health of the people is not jeopardised and the inspectorate should be urged to intensify the inspection procedures. While there is need for a long-term policy for increase in production and also for fair distribution of vanaspati, the government has as yet to evolve even a short-term policy so as to grapple with this difficult problem when production is falling while demand remains at a high level.

Tea and politics

THE TEA Board of India at its meeting held in Calcutta on June 15 and 16 this year considered a resolution recommending the nationalisation of the export trade in tea in a phased manner. But only 14 members favoured this proposal while 15 opposed it. The official members of the board remained neutral.

It is doubtful if New Delhi would have agreed to nationalise the tea industry even if the Tea Board had passed the resolution in its favour since the government has been unable to run with reasonable efficiency the industries it has taken over in the recent years. But it seems rather strange that the board should devote two days to a discussion on this subject when matters of greater urgency and importance relating to the industry's development required its attention.

The board has been functioning for nearly two decades. It has been entrusted with the responsibility for promoting the development of tea industry and trade. But the board does not seem to have achieved much success in realising its objectives. The export performance of tea in 1972 hardly revealed any improvement over the previous year. In 1972 tea exports amounted to 207.44 million kg against 206.07 million kg during 1971, the value being Rs 156.59 crores compared to Rs 154.34 crores. The unit value was Rs 7.54 per kg in 1971 and Rs 7.55 per kg in 1972. While the export to the rupee payment countries has been increasing, the offtake by traditional markets such as the USA and the UK has been declining. The Tea Board's management of the Tea Centres run by it in several countries is reported to have revealed many irregularities. For instance, the working of the London Centre is said to have incurred lossess of £ 168,000 during the five years since 1967 and vouchers for this centre's expenditure amounting to about £ 80,000 could not be traced.

Meanwhile, the government should categorically state its policy towards the future of the tea industry. Dr Chattopadhyaya, the union Commerce minister, has often denied government's intention to nationalise the tea industry. But the latter is unlikely to be convinced by this statement especially in view of the persistent campaign conducted by trade unions in favour of nationalisation. Moreover, though the Tea Board has rejected this proposal, as many as 14 of its members have recommended it; and this is also likely to create uncertainty about the industry's outlook.

The tea industry today needs massive investment especially in the north-eastern region of India. Because of the low level of profitability, which has been confirmed by the studies of the Reserve Bank, the industry has not been able to secure sufficient funds for its rehabilitation and modernisation. The associations of the tea industry have recently made various concrete and constructive proposals to improve its financial position and the task force under the chairmanship of Mr Y. T. Shah of the Commerce ministry, has also been apprised of the problem.

Even if the task force's recommendations are entirely favourable to the tea industry, can we be sure about their being implemented with the necessary speed? Doubt arises because of the inaction on most of the proposals made by many committees which enquired into the tea industry's problems in the recent years. For example, so far as the report of th[e] Borooah Committee, which enquire[d] into the problems of the tea industr[y] in 1970, was concerned, the governmen[t] of India classified its recommenda[-]tions into several categories: thos[e] accepted by the government, those accep[-]ted subject to certain conditions, thos[e] accepted in principle, those merely note[d] and those not accepted. It remains to b[e] seen how many of the proposals of th[e] task force will be noted by the govern[-]ment and how many will be effectivel[y] implemented. But it should be mad[e] clear to New Delhi that a leisurel[y] approach will not help the industry or th[e] country from the point of view of employ[-]ment and earnings of foreign exchang[e]. If the government is really serious abou[t] the development of the tea industry, [it] would do well to reorganise the board o[n] the lines suggested by the Borooah Com[-]mittee so that it can function effectively.

Concern has been recently expresse[d] over the plight of the sick tea garden[s]. This problem appears to have bee[n] somewhat exaggerated by certain parti[es] to make out a case for nationalisatio[n]. No proper criteria seem to have bee[n] evolved to determine when exactly a te[a] garden can be considered to be sick. [It] seems that many gardens which are mere[-]ly passing through some financial difficu[l]ties have also been included in the sic[k] category. Perhaps the task force ma[y] enlighten us on this aspect. But it [is] worthy to note that the tea industry ha[s] taken commendable initiative to rehabil[i]tate the sick gardens of north-east Indi[a]. A company is being floated for this pu[r]pose, which will be financed by the te[a] companies in West Bengal and Assa[m] with an authorised capital of two crore[s] of rupees and a paid up capital of Rs 5[0] lakhs. It is understood that the Unite[d] Planters' Association of South India [is] operating successfully a co-operati[ve] scheme to assist the weak units.

Besides being a major earner of forei[gn] exchange, the tea industry is located [in] relatively underdeveloped areas of th[e] country. It is estimated to employ abo[ut] a million people directly, besides provi[d]ing jobs to several thousands in allie[d] industries and services. It is expected [to] play a vital role in the country's econom[y] during the fifth Plan. Its place in wor[ld] markets is being constantly challeng[ed] by other producers and other beverag[es]. This then is hardly the time to pl[ay] politics with the tea industry. Since t[he] resolution on the nationalisation w[as] defeated by only a majority of one, t[he] Tea Board perhaps may again bring it [up] at another meeting in the near future. [It] is for New Delhi to create a climate [of] confidence for the tea industry to devel[op] and function on healthy lines.

SAIL groping in the dark

THE EFFORTS to reorganise the working of the steel units in the public sector with he formation of a holding company have not made the required headway and there s now speculation about how the Steel Authority of India Ltd (SAIL) will go about its task and whether the whole cheme will be implemented in the nanner in which it was conceived by the ate Mohan Kumaramangalam. Indeed, Mr Wadud Khan, who has taken over harge as chairman of the holding company, must be feeling somewhat uneasy s a host of problems has sprung up and here is more preoccupation now with rganisational matters rather than with hose calculated to step up the output of teel which is seriously in short supply.

After the recovery recorded in 1972-73 hen for the first time after several years n output of over six million tonnes of ngots was achieved, it was confidently xpected that the seven million tonne nark would be exceeded in 1973-74 with etter working of the Durgapur and ourkela plants and more effective use f the facilities of the expanded Bhilai teel unit. This objective was not in any ense ambitious as, even if the three units the public sector raised their output to .5 million tonnes of ingots, the capacity tilisation would be only a little over 70 er cent. On the basis of actual perforance in 1972-73 only the Jamshedpur lant of Tata Iron and Steel Co. Ltd has cquitted itself creditably as the operating atio has continued to be around 85 per ent and the working results also have een satisfactory. The developments in e current year so far however have not een encouraging as it has been roughly timated that the loss of production in e first quarter has been more than 0,000 tonnes of ingots on account power shortage. It would be diffilt to make good this shortfall and ll achieve the additional producon of one million tonnes as the ortage of coke is unrelieved and it ll also take some time to gain the lost omentum. In the meantime the government has bravely stated that the engineerg units having large unexecuted export ders will not suffer on account of the k of steel and adequate foreign exange has been allotted for importing en one million tonnes in the current ar.

In all these calculations it has been erlooked that there will be no increase steel availability even with sizeable ports as any addition to output, if at all, will be in respect of the numerous mini-steel plants that have sprung up in different parts of the country. These too can acquit themselves creditably only if there is no power shortage and steel scrap is available in the required quantities. Even assuming that a strenuous effort will be made in the coming months to boost production of the public sector units, the increase in availability would not be more than five lakh tonnes. The shortage of steel can therefore have a throttling effect in many directions and it would be far more appropriate in the present context to pay attention to the modernisation of the coke oven batteries and the elimination of bottlenecks in the steel units at Rourkela and Bhilai.

It has been suggested by experts that considerable expenditure will have to be incurred at Rourkela even for achieving its rated capacity of 1.6 million tonnes while the imbalances at Bhilai will have to be rectified for raising ingot production to 2.5 million tonnes. Even though the expansion of capacity to 2.5 million tonnes was completed sometime back, the output has not risen to more than two million tonnes. Durgapur of course has its own problems and the huge losses can be eliminated only if the deficiencies in many departments are overcome and there is better maintenance of plant and machinery besides greater cooperation from labour.

In the present context it cannot be expected that mere reorganisation of working on the administrative side will be helpful in boosting production. What is needed is decentralisation and special attention to be paid to the difficulties of individual units. It will be worthwhile to spend additional amounts in improving the efficiency of Bhilai and expediting the implementation of the scheme for raising further capacity to four million tonnes. The Bokaro plant also has got off to a good start as pig iron output has exceeded the half-a-million tonne mark by now and the new blast furnace has been functioning satisfactorily. If the first stage of this project for producing steel up to 1.75 million tonnes of ingots is expeditiously completed and the modernisation of the Jamshedpur unit is vigorously executed it can be hoped that the output will exceed eight million tonnes of ingots or even 8.5 million tonnes in 1974-75.

Immediate relief can be secured only by paying greater attention to the completion of schemes which are already in an advanced stage of construction and by changing the pattern of production or adopting new techniques in the existing units. The experience of TISCO has clearly shown that a higher turnover can be secured with an intelligent change in the product-mix and sectional modernisation.

The Steel Authority can take up the special responsibility for constructing new units at Visakhapatnam and Vijaynagar though the feasibility reports are yet to be finalised. It has not also been determined what should be the capacity of these plants. It may even be worthwhile to examine at this stage whether it would not be advisable to commit available resources for doubling the capacity of the Bhilai unit to five million tonnes immediately instead of talking of a long-range plan to raise capacity to seven million tonnes and ultimately to 10 million tonnes.

The outlook for the steel industry is not in any sense bright. The shortage of this basic raw material will persist even till the end of the sixth five-year Plan period and the progress on many other fronts may be held up because of the scarcity of steel. No specific advantages will be gained either by segregation or merger as the generation of internal resources in the aggregate may not be large. It may of course be possible to finance the projects of individual units with their own resources. Even here steel prices will have to be raised. The position of course will change fundamentally if, as has happened in the case of the heavy electrical units at Bhopal, Ramachandrapuram and Tiruchirappali, there is a sudden increase in output and turnover and sizeable net earnings are reported after providing for depreciation and interest charges.

There is no reason why the same performance cannot be achieved in the steel sector with a toning up of the working of the three public sector units and vigorous modernisation of the plant of Indian Iron and Steel Co. Ltd. With an aggregate capacity of nearly 13 million tonnes of ingots likely to be available by 1976-77 it should be possible to raise production to 10-11 million tonnes. On present indications a target of more than 16 million seems to be out of reach at the end of fifth Plan period though by 1981 it can be well over 22 million tonnes. What is important therefore is a careful decentralisation of the functioning of the three units of HSL on a departmental basis with the Steel Authority taking care of the construction of the two new units besides helping the existing producers to get over their shortages of iron ore, coke and other raw materials. The union minister for Heavy Industries, Mr T. A. Pai, could be trusted to handle these ticklish problems efficiently as he has the [illegible] drive and correct understanding of [illegible]cial problems. Without an assured growth in steel capacity and production any attempt at ambitious planning will fail.

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Economic thought of Adam Smith

Asoke Kumar Chaudhuri

A homage on his 250th birth anniversary

DISTINGUISHED ECONOMISTS, bankers industrialists, trade unionists and politicians from different parts of the globe gathered on June 5 in the royal burge of Kirkcaldy, in Fife, to celebrate the 250th birth anniversary of Adam Smith. This commemorative event once more highlights the fact that posterity is not oblivious of the great thinkers and their toughts.

Although Adam Smith's writings and thought are a fascinating conglomeration of polyhistoric knowledge, covering a wide range of unrelated disciplines like theology, philosophy, astronomy and economics, he is best remembered as the "founder" of political economy. His magnum opus—*An Inquiry into the Nature and Causes of the Wealth of Nations* is rightly said to have established political economy as a separate discipline.

The first edition of Adam Smith's *Wealth of Nations* was published in March, 1776. Since then, almost every bit of this "foundation-work of modern economic thought" has been, to a greater or lesser degree, punctured by the vast literature that followed. But what is significant is not whether particular doctrines in this classic work have stood the ravages of time. What really counts is the work as a whole—its wide scope and the vision that it projects.

outpuring of an epoch

Like all great books, the *Wealth of Nations* is the outpouring not only of a great mind, but of a whole epoch. The man who wrote it had learning, wisdom, a talent for words; but equally significant was the fact that he stood with these gifts at the dawn of a new science and the ushering of a new era in Europe. As Max Lerner has put it: "What he wrote was the expression of forces which were working, at the very time he wrote it, to fashion that strange and terrible new species—*homo economicus*, or the economic man of the modern world......the very living and human businessman, in defence of whom the economists have written and in whose interests they have invented their lifeless abstraction."[1]

Adam Smith's system of thought can best be understood when one keeps in view the socio-economic background of his time. Indeed, an economic theory does not grow *in vacuo*. It always mirrors the socio-economic reality within which it took its birth. The object of an economic theory is to offer a satisfactory explanation of the economic phenomena that emerge in society from time to time. The character of an economic theory is to a large extent moulded by the nature of problems that crop up in a given environment. But while particular events are transient, a theory generalizes and transcends the particular setting that gives it birth.

changing era

As pointed out by John Maurice Clark, "Smith had the rare good fortune to stand at a changing point of historical eras, when the world stood ready to accept and use his ideas as part of a great economic transformation"[2] The Smithian economics took its shape from his intense reaction against the elaborate system of controls which the surviving feudal and mercantilist institutions had clamped on the individual. On the other hand, the French and the American revolutions had snapped the mainsprings of the old political order and liberated men's minds from traditional inhibitions. Industrial advance had paved the way for the introduction of new methods of production, distribution and exchange. These challenging and thrilling possibilities were chained by the ideas and institutions of Mercantilism, which glorified power, restrictive regulation of economic activity and stock of precious metals. The integral relation between the extent of the market, division of labour and growth of output was not apparent to the policy makers of that time. The fundamental fact that the real wealth of a nation was the result of the organized application of labour power to natural resources remained obscure.

spirit of enterprise

Smith's object was to show the way how the spirit of enterprise might have full play and how adequate resources could be mobilized to facilitate the technical progress that had been taking place in the manufacturing sector. Consumption, according to Smith, was the sole end and purpose of all production. By consumption he understood not only present but also future consumption. Smith, therefore, laid great emphasis on the importance of capital accumulation, the distinction between productive and unproductive labour and consumption and the paramount importance of augmenting productive power through specialization and extension of the size of the market.

As regards policy prescription, Smith was the staunch opponent of a system that fostered sectional privileges. The basic thesis of Smith's work, the bible of an optimistic century, is the belief that economic life is dominated by a secret but sovereign law, according to which men, although they only wish to serve their own interests, at the same time automatically promote the common welfare. "The uniform, constant and uninterrupted effort of every man to better his condition" is to Smith "the principle from which public and national, as well as private opulence is originally derived."[3] Smith further emphasizes the impact of motives of individual self-interest, which are "led by an invisible hand" in a "simple system of natural liberty" on national welfare, in the following words: "Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can com-

mand. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society."[4]

The *Wealth of Nations* provided a liberal economic philosophy for the capitalist western world in almost the same effective manner as Karl Marx supplied the basis for communism a century later. The old economic order of Smith's time was gradually yielding place to the dynamic and productive forces of emerging capitalism which required the intellectual support of the philosophy of economic liberalism. The great era of free trade in England and progressive capitalism were, to a large extent, aided in their making by the Smithian system of thought. Indeed, the English economy needed freedom in trade—domestic and international—and the Smithian theory rationalized it.

state intervention

It should, however, not be inferred that Smith was a doctrinaire advocate of *laissez faire*. In many respects, Smith appears as an enlightened interventionist. Two important illustrations can be cited to substantiate this view. First, Smith clearly recognizes the divergences between private and social marginal net products and justifies public enterprises in those fields where public works are not profitable from the point of view of the private investors, notwithstanding the fact that these are "in highest degree advantageous to a great society." Second, Smith also offers suggestions which even favour elaborate health legislation. He argues: "It would deserve its (government's) most serious attention to prevent a leprosy or any other loathsome and offensive disease, though neither mortal nor dangerous, from spreading itself......"[5]

It is interesting to compare Smith's account of the functions of the state with those listed by John Maynard Keynes in his *The End of Laissez-Faire*. "The most important Agenda of the state," argues Keynes, "relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the state does not make them. The important thing for government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all". Of course, the inventory of activities which Keynes has in mind—e.g., investment control, policy to influence the size and quality of population, etc.—are not identical, in depth and coverage, with those which Smith has in view. But what is important is, as Lionel Robbins emphasizes, the formal similarity of their agenda—positive co-operation of the state and the individual to maximize the welfare of the society as a whole.[6]

In terms of the Smithian economic framework, as presented above in a capsule form, the ills of the present-day capitalist system, suffering from the shattering impact of inflation and crumbling international monetary system, could be traced to the following factors. First is the "controlled" international monetary system, based on fixed exchange rates and a fixed gold price. Second is the rapid decline in the share of "pure" private consumption, financed directly from private earnings and property incomes, in the GNP. The third factor relates to various domestic restrictive practices and institutions like collective wage bargaining, monopolies, oligopolies and monopsonies, which account for inflation and other economic and social evils.

Smith's prescription

Smith's prescription for the cure of the above ills would be (i) free international trade, totally free from the cramping effects of a "man-managed" international monetary system; (ii) reduction in the share of government income and expenditure and the corresponding increase in pure private consumption as a share of national product, made possible through a substantial scaling down of state intervention at microlevel; and (iii) abolition of restrictive practices and privileges of organized labourers and capitalists. From the political as well as the socio-economic points of view, none of the above measures would be acceptable today. But this cannot obliterate the basic truth, steeped in the Smithian philosophy, that a wider and a deeper network of state intervention and control by themselves alone would not correct the fundamental disequilibria of the western capitalist world.

The economic problems of the under-developed countries are, however, radically different from those facing the highly industrialized economies of the west. Here the problem is one of under-development equilibrium in an environment of "stagflation". The basic policy objective under such economic circumstances is to ensure a volume of productive investment, which is sufficient to generate a sustained increase in national income, substantially in excess of the growth in population, so that per capita national income rises.

valuable sidelights

The *Wealth of Nations* can throw many valuable sidelights on the growth problems of the under-developed economies. As W.W. Rostow has remarked, looked at from the present day, the *Wealth of Nations* is a dynamic analysis and programme of policy for an under-developed country. Smith's emphasis on the importance of annual saving—income ratio as a crucial determinant of the annual percentage rate of growth of income, the role of capital as the determinant of economic progress, wealth potential in specialization or division of labour and extent of the market, importance of wage goods' supply, sectoral balance, etc., are of particular relevance to a developing economy.[7]

Some of the policy prescriptions which follow directly from the Smithian growth model, provide meaningful guidelines for an economy such as ours. One such important prescription is about the size of marketable surplus. In a developing economy, the overall rate of growth cannot be sustained in the absence of a proper inter-sectoral balance between agriculture and manufactures. This basic balanced growth relation arises from the fact that the size of the agricultural surplus forms the 'subsistence fund' required to support the workers during the waiting period before the result of their labour becomes available in the form of final output. The larger the size of its agricultural surplus, the longer a society can afford to wait for the fruits of capital investment and the more elaborate the type of capital investment it can afford to undertake.

Smith emphatically asserts that a

"subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter...... Unless a capital was employed in furnishing crude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exist".[8] However, left to itself, the rate of expansion of the agricultural sector is rather slow in an under-developed economy. How, then, to increase the marketable surplus? Two possible ways may be suggested. The first is the obvious method of making available the requisite facilities of augmenting agricultural productivity. Secondly, the marketable surplus may be increased by making available to the agriculturists a wide variety of consumer goods on attractive terms. Smith particularly highlights that (i) the composition of demand and (ii) the impact of the availability of new commodities upon household behaviour have, historically, been crucial determinants of the "progress of opulence in different nations."

The above discussion has revealed that the *Wealth of Nations*—is magnificent essay on economic growth—contains a lot of meaningful lessons which are of considerable relevance to the growth problems of developed as well as developing economies. True, many of the policy prescriptions of Smith have lost their appeal now but not the basic contents of his economic theory. Indeed, the Smithian economics is a "net" with a wide sweep and, if cast intelligently, it can bring up rewarding catches even today. As Jacob Viner puts it: "Traces of every conceivable sort of doctrine are to be found in that most catholic book, and an economist must have peculiar theories indeed who cannot quote from the *Wealth of Nations* to support his special purposes".[9] "It is all in Adam Smith" was a favourite saying of Alfred Marshall[10] and this tribute can be said to have stood the test of time to a large extent.

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Taxation trends in Europe

C. R. Thiagaraja Varma

IN A paper presented at the 20th Summer School of the Institute of Chartered Accountants of Scotland, Mr Thomas D. Lynch, a former member of the Council of the Institute of Chartered Accountants of Scotland, has admirably reviewed the general tax situation, particularly some of the more recent developments, in Scotland and some countries of western Europe. The paper has been published in the September, 1972, issue of *The Accountant's Magazine*, the journal of the Institute of Chartered Accountants of Scotland. This article intends to bring out those significant trends for the benefit of a wider range of readership in this country.

There is a trend of reform and harmonisation in European taxation. In fact a great many reforms have already been introduced. The reforms that have already taken place or which are proposed will be considered below. As for harmonisation, it is essentially a process of alignment of tax systems and rates and reliefs. A state of standardisation and uniformity will emerge at the completion of this process of harmonisation. However, it is not easy to attain that stage and this trend is likely to be present in the European tax system for quite some time.

The ascertainable trend in the field of indirect taxation is the introduction of Value Added Tax (VAT) to all countries in the European Economic Community (EEC). It seems reasonably certain that VAT will gradually be accepted not only in western Europe but throughout most of the world, as the principal source of revenue from indirect taxation. VAT commenced in England on April, 1973. It will replace purchase tax and Selective Employment Tax, both of which are being abolished. There are bound to be modifications to the existing VAT system which differ from one another and there will be additional fund raisers such as stamp duties and customs and excise duties. However the present trends lead one to the conclusion that basically VAT will stay and it will become more and more the principal means of raising revenue through indirect taxation. There is also likely to be an increase in the number of special indirect taxes such as population and environmental levies.

Direct taxes on individuals can be classified into three broad categories, viz, taxes on income, on capital gains and on capital (or wealth). So far as taxes on income are concerned, there is a fair degree of alignment. One can notice differences only in detail, sophistication, and in personal reliefs and allowances. There is a trend towards better machinery for the assessment and collection of income tax and a more direct link between this and social security. The Green Paper published by the British government in the middle of October, 1972, contained the government's proposals for a 'Tax Credit' system in which to some extent social security benefits will be embodied in the scheme of personal taxation. In the field of capital taxation, there is a great deal of difference both in the tax systems and in the rates of tax. As regards Capital Gains Tax, there is a trend towards acceptance of capital gains as a

taxable base. The course of the trend with reference to taxes on capital or wealth is not quite clear.

Though the principle that personal wealth should be assessed to tax is now well accepted, the governments are not clear in their minds as to the manner in which they can proceed to assess personal wealth. This will become clear to the governments only if they make up their minds as to why personal capital should be taxed and what is to be done with the money. Pending the solution of this problem, the apparent trend is towards an inheritance tax. However, Mr Thomas D. Lynch feels that the real trend is towards a combined Estate Duty/Gifts Tax, although some features of the Inheritance Tax like consanguinity relief will be adopted. He rightly fears that this will not work properly until there is a harmonised system throughout the whole of EEC and until a permanent change of residence is treated as a gift or taxable transfer of capital.

A Green Paper entitled "Taxation of Capital on Death: A Possible Inheritance Tax in place of Estate Duty," HMSO (C mnd: 4930) published by the British government in March 1972 sets down the general scheme of the British estate duties and the manner in which certain other countries taxed capital on death and finally outlines an Inheritance Tax. As anticipated, the document has already generated a lively discussion in various forums on the merits and demerits of various systems of taxation of capital on death. Some changes have already been introduced in the scheme of levy of Estate Duty in the UK.

biggest change

This is also a fairly settled field where changes in detail rather than in principle can be expected. There may be some degree of harmonisation of allowable expenses in general and of depreciation allowances and stock valuation in particular. The biggest change is likely to be in the greater encouragement to non-residents in other EEC countries to set up branches and subsidiary companies mainly by taxing the profits as if they belong to resident traders. There is a tendency to tighten anti-avoidance legislation in relation to tax havens and free ports. The ultimate aim of this trend is the eventual elimination of tax haven arrangements. The gradual integration of business in the EEC will act as a stimulus to this trend.

The underlying trend of the various changes that are taking place in the field of company taxation seems to be towards the single entity concept of companies and their shareholders. This appears to be the case despite the recommendation in the van den Temple Report that the dual entity concept, in particular the classical system, should be adopted. This report was prepared by Prof. van den Temple at the instance of the European Commission. It was published in Brussels in 1970 by the Office for Official Publications of the European Communities, Luxembourg, under the title—'Corporation Tax and Individual Income-tax in the European Communities'.

dual entity concept

The dual entity concept proceeds on the basis that a company must be treated for tax purposes as something separate and distinct from its shareholders. It may find expression either in the nil rate system or double rate (or classical) system. In the nil rate system, a dividend to shareholders is allowed as a charge against profits and to the extent of the distribution the company pays a nil rate. The dividend is not franked and it enters into assessment for the first time as original income of the shareholder. Under the classical system, the company pays tax on all its profits before distribution to the shareholder and in so far as it pays dividends or other distributions, a separate and additional witholding tax is borne by the shareholder.

On the other hand, the single entity concept embraces the ideal of ignoring the company altogether and apportioning the income for assessment purposes to the individual shareholders. In such a system, the dividends paid to the shareholder may be franked fully or partially. The company, under such a system, pays tax at the rate normally applied to individuals and in so far as it pays dividends, no further tax is due from the company and the dividend is received by the shareholder tax-paid. The shareholder does not pay any more tax and he may use the taxed dividend to recover tax on losses, management expenses, etc. He may recover tax if he is exempt or liable at a lower rate than that paid by the company and he is required to pay additional tax on the gross dividend if he is liable at higher rate. While the double rate or classical system has been abandoned by the UK recently, France and West Germany abandoned it some years ago.

The discernible trends in the area of double taxation relief show that the principle that relief for double and multiple taxation is not only equitable but is essential for the growth of healthy international trade is becoming more and more firmly established. The relief in respect of double tax may be offered in two ways. The tax may be payable in one country only while the other country may exempt it altogether. Normally such exemption is given where the the capital and enterprise are in one country only. Alternatively the income may be taxed in both countries but with a credit for tax paid in one against tax due in the other. Such credit applies where capital and enterprise are represented in both.

There seems to be some degree of recognition that if the reward for capital and invention in the form of royalties, interest and dividends belong to capital and to ingenuity which is not indigenous, the taxing authorities should not tax them and should allow for full 'border adjustment'. There is also a trend towards standardisation of double tax agreements. There is a greater awareness on the part of the governments that the multiple taxation problems bring genuine hardships and also create problems of avoidance and evasion of tax. They have also got a discouraging effect on foreign investment. Most of the treaties seek not only to eliminate or alleviate double taxation but also to eliminate avoidance and evasion in the realm of international tax. These trends are quite likely to lead to a multilateral agreement by the member-states of the EEC.

trends in India

In the context of this discussion on trends in European taxation, it may be worthwhile to examine whether one can notice these trends in our country also. Though it is not possible to discern all these trends here, it may not be wrong to say that at least some of these trends are noticeable in Indian taxation also. The various commissions and committees appointed by the government, their various recommendations and their full or partial acceptance by the government—all these go to prove that this trend is rather a continuous process.

There is a lot more to be done in this regard and opinions may also differ as to the utility or effect of the actions so far taken in this direction. Already there is a demand in some quarters for the introduction of VAT in this country also. There is increasing recourse to stamp duties, customs and excise duties. capital

ain has come to be accepted as a taxable ase. As far as taxes on capital or wealth re concerned, the Wanchoo Committee as recommended a complete integration f Estate Duty and Gift Tax. As regards orporate taxation, changes are likely to ke place in view of the series of recomendations made by this committee. But one cannot say whether all the changes will be based on the committee's recommendations alone. As for double taxation relief, the relevant sections of the various tax laws have already been amended as per the suggestion of the Wanchoo Committee so as to tackle the problem of evasion in the realm of international tax. Thus, in this country also one can notice trends towards better systems which will encourage trade, discourage avoidance and improve the assessment and administrative machinery. But one should not forget that these trends suggest something that goes on happening gradually.

Credit planning in commercial banks

B. Malakondiah

ORDER to achieve economic progress, ommercial banks are being called upon involve themselves in development anking. This process involves credit lanning, that is, allocation of loanable nds of the banking system among ompeting economic projects and regions order to achieve the objectives laid own by the public policy.

What is public policy ? At the moment, demands that an increasingly larger hare of deposits should be allotted to griculture, small-scale industries, small usiness, exports etc. In other words, e distribution of credit broadly should e in accordance with the contribution ade by various sectors of the economy o the national income, employment otential, favourable income redistributive ffect, etc. It also wants that backward egions should receive preference in pening of branches and in deployment f resources.

The importance of credit as an instruent of development and the part that ould be played by credit policy and nstitutions in the scheme of overall lanning has not received adequate attenion of the policy-makers. It was stated n the first five-year Plan document that "for the successful fulfilment of the plan, t may be necessary to direct special credit acilities to certain lines of high priority. . . .The banking system. . . . will, hus have to be fitted increasingly into he scheme of development visualised for he economy as a whole; for it is only thus hat the process of mobilising savings and f utilising them to the best advantage ecomes socially purposive." In actual ractice over the three Plan periods the anking system did not operate in a anner consistent with the ideas indicated n the first five-year Plan.

It was under the social control measure that the task of deposit mobilisation and of credit planning was given due importance and a beginning was made in the direction of evolving positive plans for deposit growth and for credit allocation by purpose and by sectors.

What is credit planning? It is a policy decision regarding credit supply required for a given level of output. It will be utilised to reallocate credit so as to make the whole portfolio more acceptable from the point of view of broader economic policy. It is not a total of individual loan applications and the sanctions given to each of them. In other words, it is not a projection of credit demand.

On the resources side, it indicates that the bank is in a position to mobilise the required resources. On the credit side, it means that the individual borrower is given the amount of credit required to achieve pre-planned investment and production targets.

At the national level, the credit plan is formulated in co-operation with the Planning Commission. The objectives of credit policy in relation to other Plan objectives have to be set out and in the light of these, estimates of the growth of credit in relation to various targets envisaged in the Plan have to be worked out.

Further, once credit requirements are assessed, the allocation to each sector has to be followed by allocation to subsectors. It should concern primarily with the allocation of credit in its qualitative or directional aspect than with its quantitative expansion. What is essential is that credit should be channelled where it is more productive.

The next step is to attempt a broad distribution of deposit resources over a Plan period.

The credit Plan at the individual bank's level is a plan which seeks to implement the national Plan consistent with ordinary commercial principles of banking: that neither more nor less credit is given to the borrower than is required for an approved purpose.

Credit planning also has a regional aspect. If the bulk of the deposits mobilised in a particular state is to be invested in that state and if the allocation of credit to certain backward districts is to be increased, then the credit plan will have to embody these policy decisions. The credit plan will have also to make provision for new units coming up in various industries.

Another objective is to see that bank credit is not misused for purposes like hoarding of inventories or building up of fixed assets which are not envisaged in government policy.

While allocating credit, the objective should be to achieve a compromise between a commitment to the goals of public policy and minimising the cost of extending credit in pursuance of that policy. A decision has to be taken as to the total desirable increase in advances to the hitherto neglected sectors over a year or a period.

To be effective, credit planning will require centralised registration of all bank credit as also other credits given by medium-term and long-term lending institutions. It requires that the order of priorities laid down in the Plan are sufficiently well-known.

Attention has to be paid to forging intimate links between the planning authority and the banking system. For successful implementation, it calls for participative planning, responsive co-operation and close understanding between the planners and the bankers.

Politicians—do you want to be popular?

London

Jossleyn Hennessy

I

The Cure for Corruption

IN DISCUSSING here last week Academicus's review in the *Eastern Economist* of May 4, of Miss Sudha Shenoy's new book *Central Planning in India* (Wiley Eastern Private, Ltd. New Delhi), I concluded—with the aid of facts drawn from *Is There An Economic Consensus?* (Macmillan, London) by Samuel Brittan, outstanding British economist of the younger generation—that Academicus erred in criticising Miss Shenoy for advocating the establishment of a freely competitive market in which supply and demand are regulated in accordance with changes in relative prices as essential if India's massive economic problems are to be solved. Academicus said that this

WINDOW ON THE WORLD

was classical 19th century stuff and that its advocacy today betrayed ignorance of changed political and economic conditions.

I hope that I established last week that a competitive market activated by the price mechanism is as compatible with a society based on the state ownership of the means of production, distribution and exchange as it is with one in which they are privately owned. Indeed it is one of the strongest arguments for a competitive market that it is neutral towards the political structure in which it works.

But because A is compatible with B as well as C, it does not necessarily follow that B and C are equal in economic efficiency and social justice. To achieve these two goals under any social structure—whether in a feudal or a caste hierarchy or an egalitarian democracy—is difficult enough, but the difficulties under a centrally planned Socialist structure—which, for short, I will call a command economy—are infinitely greater than under a regime which stands for individual freedom and the private ownership of the means of production, distribution and exchange—which, for short, I will call a liberal economy.

In the first place, opinion in a command economy assumes that official regulation and intervention are normal and is suspicious of any move to substitute (a) changes in relative market prices as signals to produce more or less of any commodity or service in place of (b) the fiats of a body of planners responsible to the party in power. Planners in a command economy have a vested interest in the social and economic structure as it is. New technologies have difficulty in obtaining a hearing, because their introduction disturbs the official allocation of resources, addling the planners' aims and embarrassingly falsifying their forecasts. One need only look at the current international picture to see that this is true: none of the planned eastern bloc command countries have developed new technologies which the liberal economies seek to import; on the contrary, they are more and more seeking to import the western know-how which results from trial and error in comparatively free markets. The attainments of the Sovie[t] in nuclear physics, in space explora[-] tion and in supersonic craft, for exam[-] ple, are no exception; none of the[m] originated in the USSR.

proliferating licences

Secondly, a command economy pro[-] liferates licences and permits, whic[h] open doors to corruption between bu[-] reaucrats and permit users.

On this point Miss Shenoy says:

"While the consumption of foo[d] and cloth was declining, that of urba[n] and luxury goods (such as radios, sewin[g] machines, electric fans and lamps cars, motor scooters, synthetic fabric[s] etc.) increased by multiples of up t[o] 2,000. The explanation of this pheno[-] menon lies in the particular measure[s] required by the Plan pattern of invest[-] ment: e.g. the network of controls ex[-] tending over the private sector, govern[-] ment contracts, and import and exchan[-] ge controls. All these measures affor[d] opportunities for obtaining extra eco[-] nomic and illicit incomes by unscrupu[-] lous politicians, contractors, civil ser[-] vants and businessmen. As the Com[-] mittee on the Prevention of Corruptio[n] (the 'Santhanam Committee' after it[s] chairman) observed:

" 'The outlay and expenditure i[n] several Ministries and Departments lik[e] the Railways, Mines and Fuel, Stee[l] and Heavy Industries, the Defence an[d] the Central Public Works Departmen[t] under the various Five-Year Plans ar[e] much heavier now than previously. Th[e] scope for corruption in respect of con[-] struction works and supplies has thu[s] considerably increased.'

"The methods vary with the measur[-] es. In the case of contracts, it coul[d] be a discrepancy between the sums ac[-] counted to have been spent and th[e] amounts actually spent, the differenc[e] going into the pockets of the contrac[-] tors, civil servants and politicians".

Miss Shenoy concludes with the stag[-] gering statement that no one dispute[s] that between 10 and 40 per cent o[f] public sector Plan expenditures ma[y]

thus be siphoned off. The Santhanam Committee found that this practice was "common knowledge". If we assume that the average illegally siphoned off was 20 per cent, then the members of the privileged class of contractors, civil servants and politicians obtained Rs 433 crores in 1961-69, years during which both agricultural income and income per head remained virtually static.

Another major source of illicit (and unearned) incomes is import licensing. The official exchange rate remained fixed between 1949 and 1966 while domestic prices rose 80 per cent. Thus importers continued to pay Rs 476 for every $ 100 worth of imports while the prices at which they sold them rose by 80 per cent. As a result wide gaps were created between the landed costs and the market prices of imports, ranging between 30 and 500 per cent of the former. Since then domestic prices have risen by 27.5 per cent and are now more than double their 1951 level. The gaps have therefore continued.

Import licences are thus valuable documents in which an illegal market flourishes. The prices quoted are in terms of premia over the face value of the licences; sales are effected through such devices as the forward sale of the goods concerned.

ironical situation

It is ironical that the only truly competitive market in India in which supply and demand set realistic prices is that for licences!

What Miss Shenoy says of India is true of every command economy in the world. It follows that in such economies varying (and almost certainly ever increasing) numbers of bureaucrats, state enterprise employees and (where they exist) private businessmen have a vested interest in the existing pattern of production and any attempt to introduce a competitive market—which would reduce corruption to manageable proportions—would evoke resistance.

While resistance to competitive markets is deeply entrenched in command economies, it cannot be denied that, although Mr Brittan's *Is There an Economic Consensus?* shows that a majority of professional economists of all political views support competition and the price mechanism as the foundation of up-to-date economics, the competitive markets of the west are struggling against creeping government intervention, regulation and controls. Two reasons for this are that businessmen prefer cosy protected markets, in which government subsidies counter competition's bleak blasts, and that government intervention multiplies state industries, national control boards, inspectorates, commissions, and prestige enterprises, such as uneconomic national air lines, which multiply jobs for state employees, carrying with them (a) higher salaries and (b) the satisfactions of wielding immense power with little risk of discovery and challenge.

II

Freedom, Equality and/or Prosperity

But if it be objected that what I am saying is that if the market economy is extinct in command economies and is apparently also on its way out in so-called liberal economies, which are moving towards the practices of command economies, does that not suggest that command economies are superior? Any answer to this involves a value judgement. Do you prefer to live in a "dictatorship of the people", as in East Germany or the USSR, or in a still basically liberal democracy like the UK?

My own value judgement accords with the subject of Mr Brittan's new book *Capitalism and the Permissive Society* (Macmillan), in which he discusses how to maximise individual freedom, equality and prosperity. Conditions in the western democrcies illustrate Mr Brittan's point that these aims cannot be pursued simultaneously. If any two of these aims—say, freedom and equality, most in vogue in the UK today—are pressed beyond a certain point, then the third suffers. Among the most important reasons why the UK has until recently lagged in prosperity behind oth r western countries is the punitive scale of income tax (only slightly eased by the Tories), which is imposed not for revenue but to promote equality. There has been argument as to whether heavy income taxes are disincentives to hard work. Egalitarians urge that a large part of the reward for businessmen consists in "job-satisfaction" and that no conscious harder work would follow decreased taxes. It is, however, an observed fact that many UK companies, which have got into a rut, or begun to slide downhill, have more often than not been unable to recruit from another company an executive of proven outstanding ability to streamline their activities back to higher productivity and prosperity. This is because when an executive has attained a salary level of about £ 5,000 net of taxation, plus travelling expenses and business trips abroad, free cars and other perquisites, he has no interest in trying for a salary increase all but a few pounds of which will go to the tax collector. He concentrates on holding his job down and shrinks from taking risks which, if successful, mean little to his pocket and if unsuccessful score a black mark on his reputation. He prefers to consolidate his present position by sticking to prudent policies rather than to undertake the risks of trying to rescue a lame duck.

In Erhard's postwar West Germany, on the other hand, the emphasis was on freedom and prosperity; equality of incomes therefore waned. While inequality may produce socially uncomfortable statistics showing, e.g. as in 1970 in the UK that 77,000 individuals had net take-home incomes of £ 5,000, to seek to counter this by heavier income taxes merely levels down the "rich" without levelling up the "poor". If the total of £ 385 million were taken away from the 77,000, and if it were redistributed to the other 55 millions in the UK, these would get an extra 3.5 pence per week. More socially acceptable distribution could, however, be approximated by enforcing competition in all markets by removing barriers (a) to the mobility of labour (such as rent control) and (b) to increased production (such as unemployment pay which subsidises strikes), and thus by multiplying the nation's wealth enable the "poor" to earn higher wages (in real as opposed to inflationary terms). Prominent among the obstacles to prosperity are subsidy-grubbing businessmen and aggressive monopolistic trade unions.

price mechanism

Mr Brittan argues that the government should correct the market by ensuring that producers bear the true social costs and not just the accounting costs of their undertakings. This can be done, to an extent that is surprising when looked into, by the use of the price mechanism, rather than by securing permits from planning committees. For example taxes could be imposed to achieve a given level of purification of a river or to halve the level of sulphur dioxide emission into the atmosphere. Then those firms which could reduce smoke or effluent emission at relatively little cost would bear the bulk of the reductions, whereas firms for which such reductions were very expensive or physically impossible would pay the tax (which could, by its effect on prices, reduce their total output). The argument can also be stated in terms of freedom of choice: if taxes were set at a level found sufficient to achieve agreed environmental standards, the firm polluting the river or the individual motorist adding to car congestion in urban areas could choose how far it, or he, should

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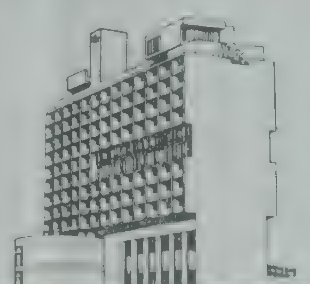

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pay the tax and so reduce the quantity of its emissions or the number of his visits by car into urban centres.

But beyond this, government intervention should be kept to the minimum. Where it is necessary it should take the form of general impersonal rules. Bureaucrats naturally prefer the "flexibility" of "discretionary powers" of intervention. The worst possible system is the allegedly commonsense pragmatic taking of decisions "on the merits" of individual cases. Pragmatic decisions on Concorde have sent the estimates soaring from £150 million in 1972 to an estimated total pre-production cost of £1,000 million. There is no prospect of recovering Concorde's research and development cost in full and the whole project must end in a colossal national loss. The justification for going ahead with Concorde was the number of jobs at stake in a national prestige industry and the technological advances expected to spill-over generally. As to jobs, if £1,000 had been paid as retirement compensation or retraining allowance to each Concorde worker, the cost would have been a paltry £25 million. As to national prestige, the recent crash of the rival Soviet supersonic plane in France has disturbed Concorde's potential customers. As to keeping the UK in the van of progress, the 1967 Plowden Report said that technological spill-over could "not be advanced as a major justification for support to ensure that the industry is kept at any particular level". Nor must we forget the social losses caused by noise and pollution round airports, the effects of the supersonic bang on shipping and on "sparsely populated" areas and other adverse environmental side effects.

III

Has Mrs Gandhi Thought This?

Thus far from being an exception to the presumption in favour of market forces, Concorde's so-called exceptional factors would have vanished if submitted to the market, and far from supporting the case for social expenditure in despite of market forces, the social costs will be greater than the money calculations indicated.

So much for ignoring the principle of the competitive market. "The judgements of those who believe in testing each issue on its merits are likely," says Mr Brittan, "to reflect the fashions of the moment, the influence of pressure groups, the clamour of the media, or the whims of the individuals concerned".

One of the most important points that emerge from Mr Brittan's study is that the habit of government intervention arouses public expectations that cannot be fulfilled. The competitive market is not a mere device to be manipulated in accordance with the latest piece of economic research or fashionable nostrum. It is a mechanism, imperfect and capable of improvement, which reduces the number and range of decisions which, after a struggle for votes, power and influence, have to be taken by cabinets, ministries and government agencies. For all its weaknesses, democracy is the best method of changing a government by peaceful means and it is good that prime ministers should be reminded in the most forceful possible way what the citizens like and dislike. But—and it is a big "but"—democracy will work best if ministers resist the temptation to make voters believe that all problems can be solved by legislation, government decree or bureaucratic committees. This belief stokes up political controversy, spreading promises and broken pledges and disappointments in ever widening circles in which politics need have no place.

Can prime ministers not realise that political action is likely to be more effective, and government more, not less, efficient if its own direct responsibilities and activities are limited? As it is, ministers and officials are blamed for all that goes wrong anywhere and their feelings of responsibility are diminished. To lay total responsibility on the government blunts the edge of government action and disillusions the people with democracy.

Finally it rejoices my heart to see that Mr Brittan emphasises a point that I made as far back as 1964 in this column and in an Institute of Economic Affairs publication, "Policy for Incomes", namely, that the transformation of industrial disputes over wages into political confrontations between the government and the trade union movement is a prime example of the avoidable over-extension of the sphere of political action, which could better be left to the market. I wrote:

"When a man's earnings are settled by the objective tests of the combination of custom and circumstance, the impersonal laws of supply and demand, and his personal efforts and skill, he feels that in so far as his earnings are superior to others, the difference is in some measure due to his own skills and merit, while in so far as they are lower it is not his fault, but 'just the way things are'; his dissatisfactions are tolerable. If, on the other hand, a man's earnings are to be 'socially just' the test becomes man-made, subjective, open to group pressures, and he feels that, with his union to push and his constituency MP to shove, he too ought to be able to secure any higher pay 'justly' accorded to his neighbour. Failure to obtain it becomes an injustice".

In other words competitive markets and the price mechanism are the least controversial techniques for deciding wage claims without causing competitive "leap frogging" between different groups of workers.

Note: This is the second of two articles, of which the first appeared last week, seeking to establish that competitive markets and the price mechanism are not hangovers from 19th century economics but remain potentially the most important tool for efficiency in both capitalist and socialist economics.

Eastern Economist 30 Years Ago

JULY 2, 1943

Even in the halcyon days of the nineteenth century liberal economics, different countries were by no means completely satisfied with the comparative rates of general economic development which fell to the lot of the various countries under the prevailing system. Some countries felt that they could accelerate the rate of national economic development by effective state measures and appropriate deviation from the free trade and laissez faire. One of the most powerful of the schools of thought that grew up was the "infant industry" school. In India in our eagerness for rapid industrialization, we seized on this system of economic thought and for a time the cult of "discriminating protection" has been the rage. After almost two decades of "discriminating protection", in retrospect we find the net result severely disappointing; for although there has been some considerable absolute growth of industries, it has been far outpaced by the rate of growth of population. In the face of this, many economic pessimists in our midst have come to the depressing conclusion that nothing appreciable can really be achieved in the field of industrial development. They have [illegible] to the free trade position and have concluded that efforts for industrialization are as vain as harmful.

Keeping good times going

E.B. Brook
Vienna

LAST MONTH saw the most disturbing steady rise in the free market price of gold accompanied by a steady fall in the foreign exchange value of the US dollar and the British £. The latter has reached its lowest quotation on the west European exchanges ever known. There is no certainty that these currencies may not fall farther in the international uncertainty over currencies and concurrent seeking of refuge in buying gold. The odd thing is that the same period has seen a revival of the debate over the reliability of fixed exchange rates and the relatively new device of floating rates.

Floating rates of exchange in west Europe have meant that almost every currency has fallen a little or, as in the case of Britain, a good deal, compared with their levels a year ago. Recently some of the continental rates have recovered and probably risen too high and US dollar has probably been unrealistically depressed. There are some eager to use this development to discredit the floating exchange rate system, which the conservative officials of the Bank of International Settlements have never liked.

pessimism about inflation

The Bank's annual report issued about a week ago expressed scepticism on prospects for monetary reform and pessimism about containing inflation. It discusses the possibility that in less than a year west European central banks may begin selling gold on the free market and urged a return of fixed exchange rates to help national economies in their struggle against inflation and to maintain harmony in international economic relations.

The Bank, it is true, is situated in Basle, one of Switzerland's cautious financial centres, and staffed at the top by former high treasury officers of France, whose devotion to gold is not only traditional but emphatic. On the other hand, the falling exchange rates, by no means least that of the British, is an important weapon in the armoury of international commercial sales, with more goods being sold abroad because of the steadily decreasing demand on the foreign purchasers' currencies to pay for the purchase The British £'s falling value in west Europe and elsewhere is a boon to the merchant selling abroad but an increasing burden to the shopper at home in Britain buying household goods which, under the Common Market system, are increasingly imported there.

The instability of exchange rates aids the argument of those who support the floating system. They argue, with some truth, that instability arises not so much from the fact that exchange rates change but from the fear they may change abruptly overnight. That occurs when national monetary authorities commit themselves to the defence of arbitrarily chosen parities which are suspect since they are likely to be abandoned when conditions turn adverse. There has, it is true, been a great deal of obstinacy in many countries over a long period, certainly since the end of the war 28 years ago, in defending overlong levels of currencies' values which had for years been unrealistic in terms of national economic strength and international competition.

system under attack

At the same time, the floating system has come under attack in the last few weeks very largely because west European currencies have risen too high against an unrealistically depressed US dollar, affected by the Watergate scandals and, possibly, by political uncertainties and prejudices arising over large-scale prospective US commercial agreements with the Soviet Union. As a result, as a foremost supporter of the floating rate system, Dr Emminger, Vice-President of the Federal German Bundesbank, agreed, the floating system is on trial and the verdict is not yet known. But even if the verdict turns out to condemn the floating system of international exchange rates, even the most adamant supporter of fixed parities agrees that the last decade's experience has shown the need for an escape clause in any new rules that may be drawn up permitting a country to float its rate if necessary. Any new rules are unlikly to be ready for at least two years, by which time the British £ will presumably have been pegged to the Common Market currencies, with decisions about the rate being taken Europe-wide.

The one fact on which there is universal agreement is that inflation is here to stay. Prices have been rising in every industrialised country for the last 20 years and the pace is accelerating. Five or six years ago in west Europe prices rose by 2 or 3 per cent annually: in the last two or three years they have been rising by 6 or 7 per cent. National economies are now so closely linked to each other by the flows of trade and finance that inflationary forces in any one are certain to spread to the others. The principal link is the trade flows, with excess or rising demand an[y]where causing rising prices allover. Mone[tary] devaluations also cause inflation sinc[e] a deficit country which devalues mu[st] somehow shift more resources into e[x]ports or import-substitutes. Exchange ra[te] changes, because they work partly throug[h] price and cost increases, are the mo[st] inflationary form of external adjustmen[t] available.

Every economy is now inevitably infla[tion]-prone and there are many forces con[s]tantly at work to spread inflation continu[ally] and swiftly from country to countr[y]. The spread of the "English disease" [of] creeping inflation to west Europe, the US and Japan is leading to a running infla[tion] and if these tendencies are not soo[n] curbed a galloping inflation world[wide] lies before us; this is the opinio[n] of economists almost throughou[t] west Europe.

European bankers are waiting for th[e] Watergate troubles to die down and fo[r] some more positive US trade figures t[o] bring about a psychological change whic[h] might help to counter the present alarme[d] power of inflation-frightened groups an[d] interests to push incomes and prices up.

competition for markets

Meantime, American as well a[s] west European corporations and bank[s] appear to be almost competing to ge[t] into the east European market. Th[e] Soviet Union is at present able to us[e] its good reputation as a prompt payer o[f] interests and loans on due date and it[s] undoubted hard bargaining skill to wi[n] from American banks and others som[e] quite astonishingly low rates of intere[st] for long-term loans of unusually larg[e] size. The US government has set up [a] large and highly competent trade advic[e] headquarters in Vienna to help US corpo[rations] and banks with statistics, commu[nications] and teams of translators i[n] their drive to east Europe.

The reasons are a driving intention no[t] to be left behind any longer by the Euro[pean] in the doubtless valuable ea[st] European market; a desire to find a ne[w] home for the immense liquidity in US an[d] west European money sources; an equall[y] strong desire to maintain industrial peac[e] at home by continuing to provide fu[ll] employment. It is not a little ironic tha[t] those who politically and economicall[y] fight the capitalist system should now b[e] major beneficiaries of the excess of capi[talism's] well-being and of its intention t[o] keep good times going as long as possible.

BOOKS BRIEFLY

Reviewed by
Academicus

Economic perspective: a new angle

Perspectives of Economic Development: Amlan Datta; Mcmillan India; 1973; Pp. 246; Price Rs 25.

Reform of the Indian Banking System: Edited by S.L.N. Simha on behalf of the Institute for Financial Managment and Research, Madras; Orient Longman Ltd; Pp 400; Price Rs 45.

Poverty in India—Then and Now, 1870-1970: M.K. Dantwala; Mcmillan India, 1973; Pp 67; Price Rs 12.50.

International Liquidity: R.D. Gupta; S. Chand & Co. Pvt Ltd, New Delhi; Pp 385; Price Rs 35.

Agriculture and Economic Growth—Japan's Experience: Edited by Kazushi Ohkawa, Bruce F. Johnston, Hiromitsu Kaneda; Princeton University Press, University of Tokyo Press; Pp 433; Price $12.50.

Struggle for Rashtrapati Bhavan—A Study of Presidential Elections: Z.M. Quraishi; Vikas Publishing House Pvt Ltd; Pp 190; Price Rs 35.

During recent years literature on economic development has proliferated and grown at an extraordinarily fast rate. But the problems of developing countries are so vast and varied that the experience gained so far needs to be interpreted and reinterpreted which means the flow of literature on this subject is likely to continue for many more years to come. This continual reinterpretation and review of both theory and experience will certainly benefit the developing countries. Amlan Datta therefore needs no apology for writing his refreshing and sometimes provocative book, *Perspectives of Economic Development*.

What has Amlan Datta to say on the problems and experience of development so far?

According to the author, we have much to learn from the experience of developed countries. But the situation in developing countries being different from those of the pioneering countries, certain important implications of this must not be lost sight of.

It should be noted that since the beginning of the industrial revolution in the west, the economic disparity among nations has been steadily widening and so is the technological distance between them. Secondly, population is growing faster in developing countries today than it was in the industrialising countries in the last century. Thirdly, people in developing countries have been deeply affected by certain features of developed societies though their level of development lags far behind. The 'demonstration effect' is there for all of us to see. Also, some of the developing countries like India have adopted democratic institutions, adult franchise and right to free trade-unionism etc.—institutions which were established in the west long after the industrial take-off in those countries. This implies that the atmosphere of economic and social expectations in developing countries is notably different from what obtained in capitalist countries when they were developing. And finally, the prospects of international trade for developing countries today are very different from those in the 19th century.

What are the implications and consequences of these special features of the contemporary situation compared to the situation in the 19th century?

The extreme poverty in developing countries and the technological gap, according to the author, makes "the task of mobilisation of capital and its direction to required points in the economy more difficult and qualitatively more different from what private enterprise had to accomplish in an earlier age." This implies the necessity of state initiative and central planning on a scale not foreseen by the classical writers.

But according to Datta, a centralised authority is likely to direct most of the available resources to a few selected points, promoting a kind of unbalanced growth. This imbalance may be sectoral or regional. Sectoral imbalance leads in course of time to a variety of economic controls such as price-control, rationing, licences and quotas. Proliferation of centrally administered controls eventually leads to confusion, delay, corruption and inefficiency. Though certain controls are necessary and essential, the situation that leads to their proliferation needs to be carefully watched. The economic and social cost of controls is so high that it may be best to take measures to balance the economy and to reduce the necessity of controls to the minimum.

social unrest

As regards regional imbalance which may appear desirable to accelerate the growth rate, the author feels that regional imbalance can produce serious social unrest and may lead to break-up of the nation or establishment of tyrannical centre. On the other hand balanced regional development may ensure maximum utilisation of national resources in the long run. The author therefore favours balanced regional development as better of the two alternatives.

The problem of unemployment in developing countries, especially in the most backward areas, cannot be solved either by industrialisation or by migration which at present is more difficult than in the 19th century. This is so not only among nations but between the areas of the same nation. In deciding upon the pattern of investment and its regional distribution these considerations have now to be taken into account in a way that was not necessary previously.

The growth of democratic institutions in developing countries has sharpened certain issues concerning social institutions. Thus while on the one hand workers should be 'free', on the other hand strong management is needed, as the USSR soon discovered, to maintain discipline in workplaces in the new habit-forming stage of a technological revolution. Here is a 'contradiction' and every country must decide for itself how best "to reconcile

discipline with self-determination in productive establishments as well as in society at large."

The author has made another interesting point. International trade and private foreign investments do not play in relation to developing countries the same role which they did before world war I. There was a kind of simple complementarity of trade and development between Britain and some of her colonies in the last century which does not exist today between developing and developed countries. This implies that structural reorganisation within developing countries needs to be accompanied by reorganisation of the world economy as a whole. There is thus the need of economic planning not only at the national level but at the international level also.

The above characteristics of the contemporary situation determine the broad framework within which developing countries must make an advance. According to the author, within this framework there is enough scope for different countries to choose different routes by which to advance. But whatever the route they take, what is absolutely essential is a particular orientation towards science and technology, adequate provision for education, technical training and research, a system of incentives which links up reward with productive effort, some, sense of balance and national determination.

While most books on development are written by authors from developed countries, this book projects a new point of view, namely that of an economist from a developing country. The approach is novel and certainly thought-provoking. Study of this book will certainly put the reader on guard while reading western authors on problems of developing countries. There is much mature thought in this book and our planners who still talk in terms of Harrod-Domar and Russian models would do well to give thought to what Amlan Datta has to say.

INDIAN BANKING

While financial institutions are mushrooming in the country and new developments are taking place rapidly in the banking sphere, it appears strange that literature on banking and financial institutions has failed miserably to keep pace with these trends. Indian writers on these subjects can be counted on one's fingers. One therefore takes *Reform of the Indian Banking System* with a certain amount of avidity and is very much pleased that the book far surpasses one's expectations.

The Institute for Financial Management and Research, Madras, has placed before the public the papers presented at the seminar on the reform of the Indian banking system organised in Madras in December 1972.

The volume contains papers on such important topics as banking in the rural sector, role of cooperative banks, rural banks, commercial banks in the current development strategy, branch expansion programme of commercial banks, reconstructing of India's banking system, non-banking financial intermediaries, chit funds, reform of the central banking in India and the recommendations of the Banking Commission. These are the matters which dominate the current banking and financial scene in India and one would therefore be very much interested to know the trends of thinking about these matters.

differing opinions

The Banking Commission has made a recommendation regarding the establishment of rural banks. On this issue the opinions in the seminar seemed to differ widely. However, it was fairly clear that the role of cooperatives must gradually diminish and that of commercial banks rapidly increase in the matter of banking arrangements for the agricultural sector, whatever be the organisational implications of this. There was also difference of opinion regarding taking rural banking arrangements totally out of the purview of state governments. The general view appeared to be that government's policies should aim at creating and augmenting the surplus of the rural sector and in this connection policies like land ceiling should be adopted with caution.

As regards restructuring of commercial banking, there appeared to be little support for the Banking Commission's recommendation that the nationalised banks should be reorganised into two or three all-India banks and five or six regional banks. The general view of the seminar was that by and large, the evolution of the Indian banking system had proceeded along right lines and most of the commercial banks are at present both viable and serving well the national as well as regional interests. India has managed so far to avoid the extremes of substantial banking concentration and far too many banking units. A plea was also made at the seminar that it is now time to convert the subsidiaries of the State Bank of India in independent institutions.

While members differed in regard t nationalisation of commercial banks i view of the vast powers of the Reserv Bank of India, they however agree that nationalisation had led to an ex traordinary expansion of banking faci lities in the country, more purposiv credit planning, and growth of bankin habit among people, though doubts were expressed as to whether efficiency o banking units had gone up. In fact th general opinion appeared to be tha banking standards had declined and tha rank and file of bank employees had no been involved in the banking revolution as was hoped for in the initial stages o nationalisation.

ultimate viability

Though the channelling of credit to the priority sectors such as agriculture, small-scale industries, new entrepreneurs and exports was welcomed by the members, it was however pointed out that it must be done with due regard to the ultimate viability of the assisted units. Also, while credit for large industrial establishments should be given after careful assessment of their needs and performance, fear was expressed that the legitimate credit needs of these units may not be met due to diversion of credit to priority sectors, thereby affecting the pace of industrial growth and economic development in the country.

As regards the role of non-banking financial intermediaries such as chit funds, finance companies and nidhis, there was a general view that these institutions had evolved over a long period of time and they served to some extent the needs of those sections of the community which do not have easy access to the banking system for credit. However, with the provision of facilities together with a conscious channelling of credit to the hitherto neglected sectors and a diminishing importance of security in bank lending, the role of the non-banking financial intermediaries is likely to diminish. But this may take some time. There was a clear recognition of the various shortcomings of the functioning of the non-banking financial intermediaries and of the need for tightening legislative measures in this respect. The general view was that they be brought under the control of the Reserve Bank of India.

Mr H.V.R. Iengar, the chairman of the seminar, made a powerful plea for working out some formal arrangement to restrain government's resort to the

Reserve Bank for accommodation. The need for such a move is clear from the fact that during 1972-73 alone there was deficit financing to the extent of Rs 12/8 crores, mostly by this method. The chairman also suggested that a commission be appointed to go into the functioning of the Reserve Bank of India. Such a step should not undermine the confidence of people in a the central bank of the country for such commissions of enquiry were appointed in the UK, USA, Canada and Japan. Occasional controversy cannot and should not be avoided over the working of important public institutions as there may otherwise be no urge to bring about marked improvement in their functioning. It will also be observed that the enquiries conducted in the above mentioned countries have done a lot of good to the functioning of the central banking system in those countries. There appears to be unwillingness on the part of the government to appoint a commission or committee to go into the functioning of the Reserve Bank of India. But there appears to be little logic in this unwillingness to appoint a committee to study the functioning of India's central banking system which is called upon to meet the challenges of economic development, social justice, domestic price stability and stability of balance of payments.

Altogether it is a magnificent volume full of interesting details and constructive suggestions. It is certainly a valuable addition to literature on Indian banking wherein a veritable revolution is taking place at present.

POOR INDIANS

How poor are the poor Indians? What is the extent of wretchedness of their poverty? Where do you draw the poverty-line? How many Indians are below this poverty-line? These and similar questions have been receiving increasing attention during recent years, especially after our constitution was passed embodying the directive principles meant mostly to uplift the vast poor masses. But the problem of poverty in India is not a recent one but is as old as our hills and it has attracted attention of social reforms for the first time not in 1950s but more than a century ago. *Poverty in India—Then and now, 1870-1970* traces the history of poverty in India since 1870 to enable one to know whether Indian masse at present are better off our worse off than their forbears a century or so ago.

Dadabhai Naoroji was in a sense the first to be deeply moved by the poverty of the Indian masses and with the zeal of a missionary he waged a campaign against the policies which he felt were responsible for the sad state of affairs. In a paper presented in 1870 Dadabhai gave Rs 20 per capita as "a high estimate of the gross production of India." It will be seen that in spite of the rough and ready methods used by Dadabhai in estimating his figures, he was not far off the mark for M. Mukherjee applying the price-index series has converted Dadabhai's estimate as corrected by V.K.R.V. Rao (Rs 23.41) to Rs 142 at 1948-49 prices.

On the basis of various researches, the following broad generalisations can be made regarding the poverty of Indian masses a hundred years ago.

Though the pre-British period may not have been the golden age, the British rule while giving stable rule and establishing infrastructure, did hardly anything to ameliorate the conditions of the masses. The colonial rule resulted in a heavy drain in the form of unrequited exports which hardly left any surplus for reinvestment and industrial development.

lagacy of the past

On the basis of M. Mukherjee's study, we find that during the century between 1857-63 and 1952-58, India's per capita income at 1948-49 prices rose from Rs 169 to Rs 275 or at an average of about 0.5 per cent per year. During the post-independence period of fifteen years from 1948-49 to 1963-64, our (real) net output per capita has increased at an average rate of about 1.2 per cent per year. This indicates that the present state of affairs is in a great measure a legacy of the past. But what needs to be emphasised is that it is not merely a legacy of poverty but of a structure of economy incapacitated for the task of rapid growth. Unfortunately the structural changes are inevitably a long-term process and "not fully amenable to the planners' zeal or ingenuity."

The very fact that when India became independent more than half of her national product was derived from the agricultural sector and more than 70 per cent of her labour force was engaged in it is enough evidence to show that the British left the Indian economy in a structurally backward state. According to the author, judging by the recent trends in the rate of growth of the Indian economy, it is very unlikely that the rate of decline in the percentage of agricultural workers in the labour force of the country will be sharper in the next decade or two. Hence the preponderance of agriculture in the occupational distribution of labour will continue and if negative correlation between agriculture's share in the labour force and per capita national produce is valid, according to Dantwala, "the prospects of any quick rise in national income, and to that extent, reduction in poverty, are not very encouraging." This being the case it would be dangerous to raise the expectations of the people when there is no valid basis on which to base those expectations.

two alternatives

If so, where do we go from here? Two alternative ways can be thought of. One is to concentrate on rapid economic growth with the belief that such rapid growth will have its spread effect creating employment and income for the mass of people and thus raising their standard of living. This belief of economists that once development takes place the problem of unemployment will be automatically solved has been shattered by recent experience, not only in India but in several other countries where increasing unemployment is seen to exist with relatively more rapid economic development. This approach is therefore being given up. The other approach emphasises the direct approach to the problem of poverty and suggests a set of policies and programmes specifically directed towards improving the living standards of the poor. But the author has warned that merely tagging on a handful of special schemes such as rural works programme, scheme of khadi and village industries or various package programmes will not help solve the problem of mass poverty. The plan itself would need a different orientation and special schemes for the weaker sections must become an integral part of the overall plan. The author has also warned that "Effective egalitarianism cannot be attained merely by demolishing the peaks or ourselves camping there with the sign board of public sector—it is equally essential to 'build from below'.

In these Dadabhai Naoroji Memorial lectures, Prof. M.L. Dantwala has not said anything new but has only placed in a succinct way things already well-known. It is obvious by now that unless every one is assured a job with a minimum return—whether it is self-employment or otherwise—and unless also he is assured of minimum subsistence at reasonable prices, the problem of mass poverty will remain as intractable as ever. Mere guaranteeing minimum in-

come with rising prices will not do, while rising prices without guarantee of minimum income as at present is fraught with the gravest dangers. But unfortunately so much sophistication is being introduced in this otherwise straightforward issue that the impression is created that either one is practising self-deception or is missing trees for the wood.

INTERNATIONAL LIQUIDITY

Now that international currencies are in doldrums adversely affecting international flow of goods, the problems raised by international liquidity assume great significance. As there is a great amount of ignorance on this issue, it is worthwhile knowing what is international liquidity, how it affects international trade, what are all the problems raised in recent years in that field and the measures which are being and should be taken to remedy the situation. R.D. Gupta has done a good job in presenting in his *International Liquidity* all these complex issues in an extremely lucid manner and putting the entire picture in its proper perspective.

"A liquid reserve is one that can be used for making payment; and that is intended to be so used; as and when required." While 'domestic liquidity' refers to legal tender, bank credit and such other assets with which we can meet our obligations in a country, 'international liquidity' is concerned with the reserve position of countries—with the magnitude of their gold and foreign exchange reserves, as supplemented by other facilities such as drawing rights in the IMF and the various forms of reciprocal and other bilateral and multilateral credits agreed between central banks including Swap arrangements and a country's capacity to borrow in the money markets of other countries. International liquidity thus includes all those assets which are generally acceptable without loss of value for settling international debts. At present it includes gold stock with the central banks and the IMF, dollar-reserves of countries other than the USA, pound-sterling reserves of countries other than UK, drawing rights of the member countries with the IMF, credit arrangements between countries, country's capacity to borrow in the money markets of other countries and Euro-dollars. In other terms, international liquidity consists of all the resources that are available to monetary authorities of countries for the purpose of meeting balance of payments deficits. It should be obvious from above that such assets range from assets which are readily available to resources that become available after extensive negotiations.

As regards the structure of international liquidity, gold which used to be the most important constituent of liquidity structure is going down in importance with the passage of time. Thus its share fell from 90 per cent during the pre-war years to about 55 per cent and the share of currency holdings and reserve positions in the IMF increased. Foreign exchange occupies the next position after gold in the international liquidity structure. It increased from $ 13.7 billion in 1951 to about $ 31 billion in 1969-70. It includes primary key currencies i.e. currencies of special significance in the financing international trade like dollar and sterling. More than half of world's liquidity requirements have been derived in recent years from the enormous growth of foreign exchange reserves and particularly dollar balances. If dollar and sterling are not held as reserves, the capacity of reserve centres to provide finance for the world economy would be impaired.

erosion of dollar

Analysing the present position, we find that abundant liquidity has been provided since World War II less by newly mined gold and more by the increase in liquid dollar assets generated by US balance of payments deficits. But US deficits are no longer available as generator of international liquidity as confidence in dollar is undermined. There is however at present no country which is strong enough to run reserve currency in place of the UK and the USA. Hence has arisen need for devising plans to add to world reserves in a way that is adequate to finance growing international trade and hence balance of payments deficits among countries.

Having analysed certain reforms such as the revaluation of gold, flexible exchange rates, the Keynesian plan (Bancor) (which if accepted by the USA then, the dollar would have been saved from the humiliation which it is facing at the present), the author has made some important suggestions to remedy the present complex situation in regard to international liquidity.

According to the author, the need of the hour is both to enlarge the stock of world's monetary reserves (in view of expanding world trade) and to devise some methods of allowing exchange rates to be varied without looking upon such variation as an end in itself. The author has suggested the creation of new world currency initially to be used by central banks alone but eventually available to private traders and bankers. But this new world currency which is going to serve as world reserve should not, like pound and dollar, bear the mark of one particular country i.e. arise out of balance of payments deficit of a particular country. The new reserve asset should not be a claim against one particular country alone but should be a claim against the whole community of countries.

The volume of this new reserve currency should not be determined, as at present, arbitrarily by ups and downs in US balance of payments or by the blind forces working in gold market. It should be governed by the deliberate decisions of the community of nations and be adjusted to the slowly growing need for reserves due to expanding world trade. The new reserve asset should not be used for disequilibrating shifts from one kind of reserve to another but only for genuine balance of payments needs. In addition, according to the author, some scope for exchange rate flexibility should be introduced beyond the presently permitted limit of one per cent by the IMF.

Along with these steps, fundamental reforms by amending the Articles of Agreement of IMF in the direction of granting liberal waivers, drawing rights, automaticity and extension of the line of credit would go a long way to solve the problem of international liquidity. The author has rightly pointed out that "The need of the hour is to stage a new Bretton Woods and for that neither the eruption of a serious crisis nor the birth of another Lord Keynes need be awaited."

reform needed

Another Lord Keynes does not yet appear to be in the offing but a serious international currency crisis has certainly erupted and is on hand. Possibly the community of countries like the community of people does not tend to reform itself unless forced by circumstances. Indeed a second Bretton Woods has become necessary to reform the international currency and liquidity situation along lines somewhat similar to the ones chalked out by the author. One however doubts if the countries with vested interests would so very easily give up the battle.

The common understanding is that the problems of foreign currencies are difficult to comprehend, that they do

…t concern the average citizen and …ave little relevance to people's daily …fe. All this is untrue as is shown by …is excellent book on the subject by … D. Gupta who has made a welcome …ddition to the literature on internatio…al money.

JAPANESE AGRICULTURE

…Agriculture and Economic Growth …ontains a set of papers presented at …e International Conference on Agri…ulture and Economic Development—…A Symposium on Japan's experience, …eld in Tokyo in July 1967. The ob…ective of the conference was to make … comprehensive reappraisal of Japan's …gricultural development and its rele…ance to economic growth of the last …00 years. The significance and impor…ance of the conference can be gauged …rom the statement of Theodore W. …chultz to the effect that it was "the …est International Conference I have …ad the privilege to attend." Of the …6 papers presented and discussed at …he conference only the most impor…ant and of relevance to India can be …eferred to here.

Kazushi Ohkawa in his paper on …Phases of Agricultural Development …nd Economic Growth" has emphasised …hat the agricultural growth pattern in …apan, either acceleration or retarda…ion, appears to be broadly associated …ith the pattern of non-agricultural …rowth. This emphasises the strategy …f concurrent growth of both the sec…ors. Bruce F. Johnston writing on …Model of Agricultural Development' …tates that Japan's experience with res…ect to agriculture's role in economic …evelopment emphasises the importance …f the opportunity which underdevelop…d countries have to exploit by fully …sing the potential that exists for sub…tantially raising crop yields at rela…… low cost in terms of scarce resour…es of capital and foreign exchange. It …ould appear, according to the author, …uitable for these developing countries …o seize this opportunity and to ensure …hat suitable fiscal and related measures …re taken so that a sizable fraction of …he increment in net farm incomes is …hannelled into investments that pro…mote the process of structural transfor…ation. The author has warned that it …s important to avoid stifling the in…entives that are essential for agricultu…al progress and consideration of equity …ictate that the already low levels of …iving of traditional farmers should not …e further depressed.

The author has emphasised that …success in Japan was due not only because of appropriate policy decisions but also on their effective implementation." The Indian planners and administrators should take note of this. Johnston has further emphasised that the goals of economic growth as well as the welfare of the bulk of the population who will unavoidably remain in agriculture for some decades at least will be far better served, if agricultural development strategy is directed at raising the productivity of the existing small-scale, labour-intensive agriculture. This type of strategy for agricultural development appears to have a further advantage as it encourages the growth of a decentralised, labour-using, capital-saving industrial sub-sector capable of making a highly significant contribution to economic growth and facilitating productivity increases in agriculture by providing ploughs, pumps, carts and a host of other inputs that become important as the need and ability of farmers to rely on purchased inputs increases. For all practical purposes this makes nonsense of the government of India's agricultural strategy adopted since the second five-year Plan.

In his article on 'Primary Product Exports' Kenzo Hemmi has made it clear that sericultural production contributed considerably to the increase in total value of Japanese agricultural production, that increase in silk exports was accompanied by the development of domestic processing and manufacturing and that silk was very important as a source of foreign exchange earnings for a fairly long period. There is no doubt that the exportation of silk played a crucial role in the early stage of Japan's economic development and that Japanese experience presents a case of economic development via primary product exports. Can India bank on jute and tea as Japan did on silk as a catalytic agent of economic development?

long-term credit

Writing about 'Long-term Agricultural Credit' Yuzuru Kato has stated how the long-term credit banks for agriculture were set up as financial organs for agricultural development during 1896-1900. They were not ordinary banks but special banks which were given privileges by the government such as subscription of capital, issue of debentures and subsidies for dividends which enable them to provide long-term credit at lower rates of interest than could ordinary banks. They were however run not as government banks but as private joint-stock banks. Japanese experience emphasises the dominant role played by the government in the field of long-term agricultural credit ever since the 1900's.

Writing about the effects of land reforms on consumption and investment of farmers, Shigeto Kawano has stated that the land reforms stimulated a marked rise in propensity to consume; but that its effect on productivity via increase in agricultural investment was rather feeble. He has concluded that the land reforms in Japan did not help much in raising productivity in agriculture upto 1954.

If Schultz felt that this was one of the best conferences on the role of agriculture in economic development that he attended, one can very well appreciate the significance of the papers in this volume. Indian planners and administrators can learn much from the Japanese experience during its developing period provided they keep an open mind and adopt policies to suit Indian conditions.

PRESIDENTIAL ELECTIONS

Struggle For Rashtrapati Bhawan—A Study of Presidential Elections is a study of the five presidential elections in India since Independence. According to the author, it is "a sequel to his quest for a political perspective of the Indian constitutional system." Among other reasons, Dr. Rajendra Prasad's controversial speech at the Indian Law Institute provoked the author to undertake this study.

According to Dr Quraishi the constitutional position of the Indian President is equivocal. The architects of the Indian Constitution intended to make him a nominal head of the state, but somehow they failed, according to the author, "to epitomize their intention in the Constitutional text." They adorned him with wide powers which they expected would be exercised in accordance with the policies formulated by the prime minister. But ample scope was left for the President to assume political initiative within the framework of parliamentary government.

According to the author, the presidential election system has been fashioned to suit the prevalent concept of presidential functions. A senior statesman is qualified to assume the presidential office, but "it is expected that he will be too old to meddle in political affairs." The arrangement is calculated to ensure a leading role for the prime minister on the one hand and to make the election a political non-event on the other.

The first three presidential elections

contributed to crystallizing the constitutional conventions that conformed to the original view of the presidential office. The nomination of its incumbent was a privileged right of the Congress leadership which secured for it at best the second man in the party hierarchy who could never outshine the prime minister Nehru. Initially the opposition parties made some efforts to secure a non-party man for the presidency on the plea that the stature of the office called for such a person. But the failure of their efforts made them apathetic so much so that in 1962 they simply owned the Congress nominee as the expression of a national consensus. The author is of the opinion that the opposition parties shedding their apathy should have initiated a public debate on the vital issues of the national life. The apathy of political parties was such that often some obscure individuals of dubious political standing and merit got admitted to the presidential contest, lowering the prestige of the high office.

direct election

The author is of the opinion that because of the growing interest of the people in the presidential election, there will soon be demand for direct presidential election and that the occasion should be used for training public opinion. These presidential elections can go a long way "in building and indicating the national consensus on outstanding political and Constitutional issues."

While reading the book the reader is often not very sure what the author has in mind and what he wants to convey to his readers. Though certain sections of the constitution may be equivocal—for it is almost impossible to be fully explicit on such complicated issues—it is certain that the framers of the Indian Constitution wanted to introduce parliamentary system of democracy in India. To expect therefore the President to play a decisive role would be thoroughly incompatible with the spirit of the Indian Constitution, though it does not mean that the high office should be reduced to the status of a rubber stamp. Some time ago there was a vague talk that a country like India should have gone in for the presidential form of government of the American type. Having seen the developing crisis in the USA between the President and the Congress, these people are having second thoughts on the subject. It should be noted that after all constitution is what we make of it and Britain is still governed without a written constitution! India has yet to develop those traditions.

What ails the economy?

Crisis of Indian Economy: Balraj Mehta; Sterling Publishers Pvt Ltd., AB/9, Safdarjang Enclave, New Delhi-16; Pp. 194; Price Rs 20.

REVIEWED BY **S.P. Chopra**

In this interesting review of the Indian economy, the author has argued that the present crisis is the result of failure to organise the required optimum exploitation of the developmental potential. There can hardly be two views on this subject as large capacities already created in the economy have been put to inadequate use. A number of industries in our country are at present operating at less than half the installed capacities for a variety of reasons.

Though the book is primarily based on articles written for different economic journals and daily newspapers at various times in recent years, an attempt has been made to update them so as to give continuity to the discussion on the major economic problems.

The book is divided into two parts. The first part deals with economic policy and planning, and brings out the weaknesses of the planning processes in this country. Planning in this country has not been the handmaid of the technocrat; it has invariably been dominated by the strong likes and dislikes of the chairman of the Commission and his equation with the other economic ministers.

The second part of the book takes up some controversial topics such as land reforms, foodgrains trade, foreign trade and aid, private and public sectors, steel and oil industry, wages and prices, and industrial relations. The treatment of each subject is refreshingly frank and forthright. The author does not mince words. All the discussion in this section is couched in crisp, journalistic language, and is at places highly provocative. The students of Indian economy will enjoy reading this book without however agreeing with the author at several places.

A reliable guide

Manorama Year Book: Published by Manorama Publishing House, P. B. No. 26, Kottayam-1, Kerala State; Pp 888; Price Rs. 10.

REVIEWLD BY **Ganapathi Sarma**

Manorama Year Book has its own uniqueness and distinction, In a single volume running into about 900 pages the eighth edition of this very successful publication gives facts, figures, comments as well as wealth of factual information in respect of a vast multitude of topics which in their range may well be termed as encyclopaedic. In keeping with their dynamism, the publishers have enlarged the scope and contents of the book from edition to edition by the addition of new features and by updating and tightening of edition of old topics. The chapter on 'The Earth' has been completely rewritten under four separate headings, lithosphere, hydrosphere, atmosphere, and biosphere. Biosphere in itself is entirely new and covers the UN Conference on Human Environment held at Stockholm in 1972. The progress of science under the new title 'Eureka' has been expanded, incorporating India's valuable contribution to scientific knowledge from 1000 BC. In fact, every topic is treated in the form of an article followed by critical comments which provides the reader with basic background information on every subject. Besides copious economic information, massive statistical data have been packed into this handy compendium which makes it extremely interesting and very informative. Further spicy news items have been presented off and on in box with the primary purpose of providing an element of diversion to the readers and drawing at the same time readers' attention to the outstanding developments of the year.

The topics are surveyed in five major sections. The 'world' and 'space' are dealt with in the first two sections. The third section on 'India' is the core of this publication. It provides a complete and comprehensive picture of modern India in all its aspects. The states and the union territories, their economic programmes and other dramatic developments have been dealt with in great detail. This is followed by the section on 'general knowledge' which has been completely overhauled with a view to provide up-to-date information for those who appear for competitive examinations. The last section is devoted to 'sports and games'. The 'banditry in India'—a topic of current interest—has been treated separately and presented as a special feature. It gives a graphic account of the outlaws in our country whose conversion and reformation since April 1972 has opened a new chapter in the annals of central India.

Considering the lucidity of style, nice

presentation, detailed discussion and comprehensive coverage of events it is doubtless that this publication will serve as a reliable guide and an invaluable and indispensable book of reference to academicians, research scholars, university students in particular and educational institutions in general.

Books Recieved

Economic Dynamics: Roy Harrod; The Macmillan Press Ltd; Pp 195; Price £2.95 net; Rs 25

The Internal Colony (A Study in Regional Exploitation): Sachchidanand Sinha; Sindhu Publications Pvt. Ltd, Hind Rajasthan Chambers, 6, Oak Lane, Fort, Bombay 400001; Pp 159; Price Rs 25.

Theory of Demand Real and Monetary: M. Morishima and others; Oxford University Press, 2/11 Ansari Road, Daryaganj; Pp 330; Price £5.50 net in UK.

Programmed Learning Series 1—Feasibility study for Small Industry: Project Director V.K. Chebbi; Text prepared by D. Ramakrishna Rao, Published by Small Industry Extension Training Institute, Yousufguda, Hyderabad 500045; Price Rs 10.

Symposium on Social and Economic Problems of Hilly Areas: Published by Directorate of Economics and Statistics, Himachal Pradesh, Simla; Pp 258.

Strategies for Economic Development: Amlan Datta; Centre for the Study of Social Change, 4 Joothica, N. Bharucha Road, Bombay 400007; Pp 96; Price Rs 9.

Economics of Land Reform and Farm Size in India: A.M. Khusro; Institute of Economic Growth; Pp 162; Price Rs 26.50.

A Judiciary Made to Measure: Edited by N.A. Palkhivala; Published by M.R. Pai, 235, Dr Dadabhoy Naoroji Road, Bombay 400001; Pp 55; Price Rs 2.

Proceedings of the Textiles Committee's Third Market Research Conference: Identify Your Market: Published by the Market Research Wing, Textiles Committee, Ministry of Commerce, 406, Kakad Chambers, 132, Dr Annie Besant Road, Worli, Bombay-18; Price Rs 12.

Finance of Foreign Trade and Foreign Exchange: B.C. Ajmera; Commercial Book Centre Pvt. Ltd, P.B. No 6, Neemuch, Madhya Pradesh; Pp 390; Price Rs 12.

Politics of Tribalism in Africa To-day: B.S. Sharma; Published by B.S. Sharma, Department of African Studies, University of Delhi, Delhi 110007; Pp 168; Price Rs 31.

Road User Taxation and Road Finance in Indian Economy: D.M. Nanjundappa; Jawaharlal Nehru Memorial Institute of Development Studies, Rasika Ashram, Nanabhai L. Bhuleshkar Road, Chinchavali, Malad (West), Bombay 400064; Distributed by Popular Prakashan, 35 C Tardeo Road, Bombay-34; Pp 253; Price Rs 46.

Bargaining Co-operatives with Special Reference to Quick Frozen Food industry in Great Britain: Ashok V. Bhuleshkar; Jawaharlal Nehru Memorial Institute of Development Studies, Bombay; Pp 194; Price Rs 36.

Children in the Strategy of Development: Prepared for the United Nations Centre for Economic and Social Information and the United Nations Children's Fund by Hans Singer; Pp 64.

Youth in the Second Development Decade: Report of the Symposium on the participation of youth in the Second United Nations Development Decade; United Nations Centre for Economic and Social Information; Pp 42.

Interest Rates and Flow of Funds (A case study : India): D.H. Pai Panandikar; The Macmillan Co of India Ltd, 2/10, 4252, Ansari Road, Daryaganj, Delhi 110006; Pp 180; Price Rs 27.

Gandhi My Refrain: Controversial Essays: 1950-1972: T.K. Mahadevan; Popular Prakashan (P) Ltd, 35C Tardeo Road, Bombay 34 WB; Pp 223; Price Rs 28.

Pilgrim Centenary: A Rememberance: Santha Rungachary; General Editor R.R. Diwakar; Gandhi Peace Foundation; Sole Distributors; Popular Prakashan; Pp 317; Price Rs 30.

Asian Economic Cooperation: Papers read at the Indian Economic Conference; Published by Popular Prakashan; Pp 39; Price Rs 15.

Ceiling on Urban Property: Papers read at the Indian Economic Conference; Published by Popular Prakashan; Pp 61; Price Rs 15.

Marxian Economic Theory: Papers read at the Indian Economic Conference; Published by Popular Prakashan; Pp 61; Price Rs 15.

Incentive Systems in Sales Organizations (A Study in a Marketing Company): G.K. Suri; Shri Ram Centre for Industrial Relations and Human Resources, 5 S. Vaswani Marg, New Delhi 110005, Pp 131; Price Rs 12.50.

An Assessment of Cooperative Farming Societies in Gujarat and Rajasthan: K.M. Choudhary, M.T. Bapat, D.P. Gupta, N.R. Shah, K.R. Pichholiya and S.B. Saxena; Agro-Economic Research Centre, Sardar Patel University, Vallabh Vidyanagar, Gujarat; Pp 377; Price Rs 20.

Cooperative Management (Recommendations made by the ICA/CCE/Gramacop Regional Seminar on Cooperative Management: J.M. Rana and Herman Lamm; International Cooperative Alliance, Regional Office & Education Centre for South East Asia, 43 Friends Colony, New Delhi 1100014; Pp 31; Price Rs 7.50.

Status of Cooperative and Rural Housing Programmes in Bangladesh Today: Lionel Gunawardana and D.D. Naik; International Cooperative Alliance; Pp 37; Price Rs 3.00.

Merchant Shipping Legislation in India and UK: Narmada M. Agrawal; Registrar, University of Bombay, Fort, Bombay-32; Pp 341; Price Rs 37.50.

TRADE WINDS

Small Savings

THE DEPUTY Finance minister in the central government, Mrs Sushila Rohatgi, revealed at a press conference here recently that small savings touched a new peak at Rs 351 crores in 1972-73. During the previous year, i.e. in 1971-72, these collections had aggregated to Rs 227 crores. The figures for 1970-71 and 1969-70 were Rs 188 crores and Rs 127 crores, respectively. As against the original fourth Plan target of Rs 769 crores, collections under small savings during the first four years of the current Plan, thus, aggregated to Rs 893 crores. This figure is likely to go up to Rs 1,100 crores by the end of this year. In view of the encouraging response, the fifth Plan target for small savings is being set at Rs 1,800 crores.

A major factor for the record collections last year, as also for the sharp rise in the previous year, has been a steady increase in provident fund instalments in small savings. Currently upto 30 per cent of the annual accretions to the employees provident fund are allowed to be invested in small savings. This has helped in raising the interest on provident fund accumulations to six per cent for the current financial year. Of the aggregate Rs 351 crores collections in 1972-73, personal savings accounted for 49 per cent and institutionalised savings for 51 per cent.

The administrative cost of the small savings movement went down from 6.47 per cent of the total collections in 1971-72 to 5.4 per cent in 1972-73. The actual figures for the two years are Rs 15.07 crores and Rs 15.97 crores, respectively. All the new measures taken last year to step up small savings have yielded good results. For instance, in the very first year of the inauguration of the Mahila Pradhan Bachat Yojna, over 2,500 women workers were placed in the field. Over 3,200 students of 500 colleges were engaged last year for voluntary work for national savings under another scheme. The increased incentives provided to post masters in villages for attracting long-term saving brought in Rs 1.06 crores. The percentage of regular savers has risen from six per cent of the population in 1971-72 to 7.16 per cent in 1972-73. Small savings now account for nearly 22 per cent of the total internal debt of the country.

Mrs Rohatgi announced the following steps to rationalise the various small savings schemes:

(i) The rate of interest on the 15-year public provident fund scheme has been increased from 5.0 per cent per annum to 5.3 per cent with effect from the April 1, 1973. This rate is now on par with that allowed on the general provident fund.

(ii) After the introduction of the 5-year post office recurring deposit scheme, which carries a higher taxable rate of 6.75 per cent per annum, the 5-year cumulative time deposit scheme offering 4.75 per cent is being withdrawn from October 1, 1973. Similarly in view of the public provident fund scheme, which offers 5.3 per cent the 15-year cumulative time deposit offering 5 per cent is being withdrawn from the same date. With these changes, there will now be three schemes for regular savers, viz 5-year recurring deposit, 10-year cumulative time depost and 15-year public provident fund.

(iii) A new 2-year post office time deposit with 7 per cent taxable interest is being introduced with effect from August 1, 1973.

(iv) A new 7-year national savings certificate on which the principal and taxable interest at 7.5 per cent per annum will be payabe at maturity is being introduced with effect from October 1, 1973. A sum of Rs 100 deposited under this scheme will grow to Rs 166 at the end of 7 years.

Bombay Port Trust Centenary

The Bombay Port Trust completed 100 years on June 26, 1973. In view of the scarcity conditions prevailing in some parts of Maharashtra, the cenentary celebrations of the Port Trust have been postponed. However, a symbolic function was held at Bombay on Tuesday, June 26 to mark the occasion. The function was presided over by the chief minister of Maharashtra, Mr V. P. Naik, and was addressed by the minister of Shipping and Transport, Mr Raj Bahadur, who was the chief guest. Among other speakers were Kumari Katy F. Shahukar, a Port Trust employee whose three generations have served in the BPT. Mr Ramchandra Pandu, an employees with the longest service, Mrs Sumati Morarji, Mr S.R. Kulkarni and Mr S.Y. Ranade, Chairman of the Bombay Port Trust. The present statutory autonomous Bombay Port Trust was set up in 1873. Two years later, the Sassoon Dock was opened to traffic. In 1880 was commissioned the Prince's Dock comprising: 14 berths and capable of accommoding vessels up to a 22 feet draught.

Indian and Non-Indian Employees

All industrial and commercial concerns have been asked by the ministry of Industrial Development to furnish information about their Indian and non-Indian employees [illegible] receipt of total monthly emo[illegible] ments of Rs 200 and abo[illegible] The information is to be fur[illegible] shed to the Economic Advis[illegible] ministry of Industrial Develo[illegible] ment, New Delhi, befo[illegible] August 15 this year. The pu[illegible] pose of this is to bring up-t[illegible] date information regardi[illegible] employment of Indians a[illegible] non-Indians in these concern[illegible] Industrial and commerci[illegible] concerns not employing a[illegible] non-Indian national need n[illegible] furnish any return unless th[illegible] are registered abroad or a[illegible] subsidiaries of foreign co[illegible] cerns. Undertakings, manage[illegible] or controlled by foreign co[illegible] cerns, have also to furnish th[illegible] information. The concer[illegible] have been requested to furnis[illegible] separately information regard[illegible] ing employment of foreig[illegible] short-term technicians who a[illegible] exempted from the payment [illegible] income tax on their remunera[illegible] tion. In the past some India[illegible] concerns employing non-India[illegible] nationals as regular employe[illegible] and foreign short-term techn[illegible] cians did not furnish th[illegible] required information. Suc[illegible] concerns have been requeste[illegible] to furnish necessary informa[illegible] tion.

Mark Revalued

West Germany, faced wit[illegible] a US dollar slump that wa[illegible] threatening the eight natio[illegible] European currency float a[illegible] well as its own domestic eco[illegible] nomy, on June 29 revalued th[illegible] Deutschemark by five and [illegible] half per cent. After th[illegible] announcement the dolla[illegible] already at record low agains[illegible] the mark, dropped still furthe[illegible] The dollar has now lost abou[illegible] 14 per cent, value in terms o[illegible] marks since last month. Th[illegible] West German Central Ban[illegible] has acted to maintain th[illegible] margins that the joint floa[illegible] nations had agreed to adher[illegible] to while floating togethe[illegible] against outside countries. Th[illegible] floating currencies are fro[illegible] West Germany, Franc[illegible] Holland, Belgium, Luxen[illegible] bourg, Denmark,—all Com[illegible] mon Market countries plu[illegible] Sweden and Norway. The ne[illegible] mark rate came into forc[illegible] after a cabinet meeting unde[illegible]

e chairmanship of chancellor ...lly Brandt

US Bank Rate

The US on June 29 raised ... bank rate to seven per cent, ...e highest level for 52 years ...fective from July 2, 1973.

Credit for IDBI

International Development ...sociation (IDA) an affiliate ... the World Bank, has ...anted a credit of $ 25 million ... various currencies to the ...vernment of India, the rupee ...uivalent of which will be ...ade available to the Indus...al Development Bank of ...dia (IDBI) for refinancing ...e loans given by state finan...al corporations to small and ...edium sized industrial units ...r financing the import of ...uipment from abroad and ... for technical know-how. ...e IDBI has issued suitable ...idelines to SFC's for availing ...emselves of the facilities ...ailable under the credit. An ...dustrial unit became eligible ...r foreign exchange under the ...A credit only if the corres...onding refinance had been ...nctioned by IDBI credit of ... 25 million is the first line of ...reign credit negotiated by ... IDBI.

Delhi Financial Corporation

Delhi Financial Corporation ...nctioned financial assistance ... about Rs 161.4 lakhs to 80 ...its and actually disbursed ...s 126.49 lakhs to 79 indus...al units during 1972-73. ...er 80 per cent of the loans ...ere advanced to industries in ...e small-scale sector. Accord...g to the annual report for ...72-73 the gross income of ...e corporation rose to ...s 49.80 lakhs and the net ...ofit to Rs 19.15 lakhs, from ...s 37.35 lakhs and Rs 11.01 ...khs in the previous year, ...spectively.

Boeing's Offer

A representative of the ...eing Airplane Company, ...r Michael Fitzgerald told ...wsmen here recently that ... company had offered to ... to Indian Airlines (IA) ...me advanced 737-200 Boeings ...der finance to be arranged from the US Exim Bank. Indian Airlines would have to pay only 10 per cent of the cost of an aircraft (nearly $ 5.5 million); the remaining 90 per cent finance could be arranged from the Exim Bank and other commercial banks in the United States on 50:50 basis. The interest rate of the Exim Bank, he explained, was six per cent and not nine per cent as reported in the Indian press. (It is not yet clear whether the Exim Bank interest rates would go up as a sequel to the stepping up of the US bank rate to seven per cent—a record for the past 54 years. This raise was announced subsequent to Mr Fitzgerald's talk with pressmen). The Boeing representative also disclosed that his company had offered to IA a package of goods and services up to a fixed amount. The cost of these goods and services was included in the cost of the aircraft. Indian Airlines could choose any services and spares from a wide range.

Mr Fitzgerald further stated that nearly 14 months were required to construct an advanced 737-200 Boeing. If IA wanted deliveries by the end of next year, it had to take an early decision on the offer. For deliveries upto November next year, the only item subject to cost escalation was the engine. Subsequently, the price of the aircraft was expected to go up by about 5.5 per cent.

A colleague of Mr Fitzgerald, Mr Pete Morton, explained some of the salient features of the advanced Boeing 737-200. Citing extracts from IA's annual reports, he stated that this was the most profit-making aircraft for IA. With a seating capacity for 119 passengers and an average utilisation of 3,000 hours, its direct operating cost was about four paise per seat-kilometer, the lowest for any twin-engine aircraft in this class, including the Russian made TU-154. The advanced 737-200 Boeing; he added, had been specially designed for short field operations. Automatic brakes had been incorporated for improved short field landing performance. Its improved flaps permitted slower take-off and landing speeds and anti-skid action permitted effective braking even on icy and flooded runways. With low pressure tyres, the aircraft could also operate on unprepared runways.

Indo-British Technological Group

A delegation led by Mr A N. Benerjee, Special Secretary, ministry of Industrial Development, attended the meeting of Indo-British Techological Group in London recently. Mr B. D. Tilak, Director, National Chemical Laboratory, was to be the alternative leader. Other members of the Indian delegation included Dr A. Seetharamiah, Director-General, Technical Development, Mr S. K. Sehgal, Joint Secretary, ministry of Industrial Development, and Mr R. M. Bhandari, Joint Secretary, department of Economic Affairs. Three industrialists were also expected to be members of the delegation.

High Capacity Transmission

Kamani Engineering Corporation, which pioneered the transmission line tower industry in India, has now given new dimension to power transmission in this country. It has successfully designed and fabricated for the first time, a transmission tower with as big a voltage as 400 KV. The highest voltage so far in India was only 200 KV. The UP State Electricity Board has made commendable efforts in initiating measures to introduce 400 KV. The UP State Electricity Board have placed an order for the supply of 3,200 tonnes 400 KV towers with a route length of over 140 Kms. The 33 meter high horizontal configuration tower comprises of 592 members (pieces) with a base width of 8 meters. The width at the level of conductors is 23 meters. This tower has been designed to take load in all directions due to heavy wind pressure of 150 kgs per meter square, tensionin cables and various vertical loads. It has been so designed that it can double the actual load under normal conditions and one and half times the actual load in the unlikely condition of snapped conductors.

Indian Tea in Japan

A joint promotion scheme for marketing identifiable Indian teas has been undertaken in Japan by the Tea Board. Of late, Japan is taking black tea and is a potential market for Indian tea. Exports of tea from India increased from 515,000 kgs. in 1968 to 989,000 kgs. in 1972. In terms of value, the exports in 1972 were of the tune of Rs 98 lakhs, compared to Rs 49.73 lakhs in 1968. The ministry of Commerce have approved in principle the setting up of a tea Promotion Centre in Tokyo by the Tea Board. This will co-ordinate and promote Indian tea in the area and it is expected that exports to Japan will increase further in the years to come. Japan is essentially a producer of green tea. An area of 53,900 hectares was under tea in 1971 and 92,911 thousand kgs. of tea was produced. The average yield is 1,724 kgs. per hectare, the highest in the world.

Turbine Runner Castings

This country has joined the group of a few selected countries which manufacture Francis Turbine Runner Castings required for power plants. The Foundry Forge plant of the Heavy Engineering Corporation, Ranchi, has for the first time manufactured this type of corrosion resistent stainless steel casting, which required exceptional expertise and rigid quality control. The casting which has a net weight of 15 tonnes required the pouring of 34 tonnes of liquid metal. The casting consists of 15 special type curvilinear blades. Detailed drawings for these were worked out by the Design Office of the Foundry Forge Plant with indigenous know-how. Two 20 tonne arc furnaces were synchronised to tap 34 tonnes of metal.

COMPANY AFFAIRS

Tube Investments

Tube Investments of India Ltd during 1972 improved quite successfully the manufacture and despatch of cycles over what has been achieved so far in any year. Considerable work has been done to complete prototypes of two new models of cycles to meet the requirements of the export market. Moreover several new applications in metal sections were developed to meet the requirements of the automobile and electrical industries. Steps are also being taken to instal a third tube mill in the factory at Avadi. Orders for the mill from abroad have already made and it is expected to be installed sometime during the second half of the year. It will commence production early in 1974.

The working of the company during the year has resulted in a lower profit of Rs 96.51 lakhs as compared to Rs 105.08 lakhs in 1971. The decline in profits was largely accounted for by the labour strike of nearly two-and-a half months in the units of the company at Avadi. Even earlier to the disruption of work by labour, there was a go slow movement among the labour for about four months which sharply reduced the output. Additionally the power cut came into force in the last quarter of 1972. The cost increases in all items affecting the manufacture of cycles could not be offset by an appropriate price increase. Repeated representations have been made to government but the matter is still under consideration.

Out of the gross profit the directors have allocated Rs 1.65 lakhs to development rebate reserve as compared to Rs 3.40 lakhs in 1971 while taxation absorbed Rs 51.20 lakhs as against Rs 52.20 lakhs in 1971. After adjustments the disposable surplus amounted to Rs 52.38 lakhs as compared to Rs 73.46 lakhs in the preceding year. Out of this, a sum of Rs 50,000 was transferred to general reserves as against Rs 21.55 lakhs in 1971 while the appropriation to debenture redemption reserve was maintained at Rs 12.50 lakhs. The directors kept unchanged the equity dividend at Rs 10.50 per share and this will claim Rs 39.38 lakhs, the same as in 1971. The balance of Rs 364 has been carried forward to the next year's accounts.

Metal Box

The year 1973 marks the fortieth year of the Metal Box Company of India's activities in the country. During this period the company has grown from an operation located in a small shed in Calcutta making tins for cigarettes to a gigantic organization with assets of Rs 27 crores, with ten factories scattered all over the country. The company has pioneered many significant developments in packaging industry such as aluminium collasible tubes, process resistant open top cans, deep drawn pilfer proof closures, rotex closures, snap-set cartons, plastic|tinplate top-up cans, tinplate aerosols, shrink wrapping; battery jackets and safety seals. It has built an export market for packages as well as packaging machinery, its exports during the last five years amounted to Rs 11.61 crores. Over the years the company has built up an organization that not only manufactures and sells packages of a high quality but which also provides its customers with a complete packaging service. Starting from the concept stage, its package development and evaluation service covers the entire process of developing the package, material selection, evalua tion, testing and construction Moreover the company is proud of the fact that its complete packaging service is backed up by an effective and efficient, though costly, research and development effort covering packaging materials, package developments, packaging systems, import substitution and wide range of services to its customers for their product development, particularly for exports. Further it is significant to note that the company is one of the first foreign firms to invite equity capital participation from the Indian public—26 per cent in 1951.

The company's income from sales during the year ended March 31, 1973 went up by Rs 374.10 lakhs to Rs 4101.04 lakhs. But after taking into consideration price increases arising from material cost changes and increased excise duties, the real growth is only 1.7 per cent. This is considerably lower than expected mainly due to the serious industrial unrest in the company's establishments at Calcutta and Faridabad and to the power shortage and extremely difficult raw material supplies in the year. As a result profit after depreciation but before taxation slumped to Rs 101.95 lakhs, recording a fall of Rs 83.53 lakhs over 1971-72. A sum of Rs 44.00 lakhs was provided for taxation as against Rs 94.79 lakhs in the preceding year. After adjustments the disposal surplus amounted to Rs 77.54 lakhs as compared to Rs 96.31 lakhs in 1971-72. Out of this an amount of Rs 11.2 lakhs was provided for development rebate reserve, R 20.00 lakhs to debenture redemption reserve and Rs lakhs to general reserve a against Rs 13.75 lakhs, R 15.00 lakhs and Rs 6.00 lakh provided respectively in 1971-72. The directors have passe over the interim dividend They have recommended th first and final dividend of 6 paise per share and it will b paid to those members wh are on the company's regis ter as on July 17, 1973.

Vysya Bank

Vysya Bank Ltd has maintained its all round progres during 1972. The bank's de posits recorded a sharp ris from Rs 11.48 crores to R 13.68 crores, registering a increase of 19.16 per cen over 1971. Advances, includ ing bills, improved by R 180 lakhs or 23 per cent whil gross income were higher b Rs 26 lakhs or 26 per cent This impressive increase i gross income was due to bet ter utilisation of funds al round the year. After meeting all expenditure, providing fo taxation and making othe necessary provisions, the bank has earned a net profit of R 3.13 lakhs as against Rs 7.0 lakhs in 1971. A slight reduc tion in the profit of the bank was mainly as a result o charging of payment of bonu to profit and loss account increase in expenditure unde salaries and allowances on ac count of upgradation of th bank into 'B' class with effec from January 1, 1972, rec ruitment of staff and the ex penses connected with th opening of branches in 1972 But for this, the overall per formance of the bank in a spheres of its activities wa quite encouraging and satis factory. In spite of the dec line in profits, the dividen has been maintained at 1 per cent. During 1972 th bank opened seven branche and four more rural branche have been opened since closing of accounts for 1972. The bank has an ambitious branch ex pansion programme, including the opening of one branch i

Bombay, during the current year.

Though Vysya Bank is in the non-nationalised sector it is implementing all the policies of the government and Reserve Bank of India in extending credit to weaker and neglected sectors of economy and also subscribing liberally to bonds and debentures of government and quasi government bodies. In spite of this, however, government is continuing the policy of discrimination in allowing certain educational and religious institutions to have their banking transactions and investment of surplus funds only with nationalised banks instead of treating alike all the scheduled banks particularly the smaller banks. Mr M.R. Arya, Chairman of the bank, therefore, appealed to the government to realise the injustice of such a discrimination and called for a suitable revised policy in this regard.

Calico

The Ahmedabad Manufacturing and Calico Printing Co. Ltd, popularly known as Calico, has enhanced its equity dividend from Rs 18 to Rs 19 per share of Rs 125 each for the year ended March 31, 1973. The preliminary statement shows an all-round improvement in the company's working, with sales, profits and margins being higher than in 1971-72. The improved results have been achieved despite a production loss of about Rs one crore on account of enforced power cuts. Sales during the year expanded from Rs 39.25 crores to Rs 43.76 crores in 1972-73 while gross profit moved up from Rs 2.92 crores to Rs 3.39 crores. Out of the gross profit, the directors have allocated a sum of Rs 1.78 crores for depreciation as against Rs 1.50 crores in 1971-72 while a sum of Rs 1.11 crores was provided for development rebate reserve as against Rs 31 lakhs in the previous year. This leaves a net profit of Rs 50 lakhs as against Rs 1.11 crores in 1971-72. The proposed equity dividend will absorb Rs 85.21 lakhs, Rs 4.49 lakhs more than in 1971-72. Consent of the controller of capital issues has been received for the company's proposal to issue bonus shares in the ratio of one share for every four shares held. These shares will be issued in August. The company's PVC polymerisation and additional units of the PVC compounding and processing plants including the foam leather plant at Bombay were commissioned during the year under review. The polyester fibre plant at Baroda is expected to go on stream by March, 1974. The exports during 1972-73 were higher at Rs 4.93 crores as against Rs 3.92 crores in 1971-72. During the year the capital expenditure amounted to Rs 7.75 crores as against Rs 475 crores in the preceding year.

Goodyear

To ensure healthy growth of the industry, a price increase of automotive tyres has become imperative. This was emphasised by Mr Parks Chrestman, Managing Director, Goodyear India Ltd while addressing the annual general meeting of the company held recently in Calcutta. The automotive tyre prices had not been increased since November 1968, he said, though the prices of raw materials had gone up over 11 per cent since then. Other expenses, similarly, had also increased in line with inflationary trends. Additional taxes this year further increase raw material costs over two per cent. So far, the company had utilised all management know-how and techniques such as expenditure controls and production efficiencies to minimise the cost increases but these have outstripped such savings. The company's application for a price increase had been pending with the government since 1971. As the automotive tyre industry has an important role in the building of the nation's economy, it will be in the national interest, he said, to keep the industry financially stable. The company has received very recently the consant of the controller of capital issues to issue bonus and rights shares worth Rs 2.81 crores.

Lufthansa

Despite difficult circumstances Lufthansa achieved a net profit of DM 75 million for 1972. The good result for 1972 stems from improved traffic results, significant lowering of costs and the effects of widespread rationalization within the airline. Passenger number in 1972 at 8,523,201 were almost one million more than in 1971, freight at 208,878 tons increased by 15.9 per cent and mail went up to nearly 10 per cent to 35,569 tons. Seat and total load factors increased four points each to reach 56 and 59 per cent respectively.

TWA

Trans World Airlines (TWA) reported a net profit for May 1973, including the earnings of its wholly owned subsidiary, Hilton International, of \$ 6.3 million or \$ 0.50 per share. This represents an improvement of \$ 0.2 million over the net profit of \$ 6.1 million or \$ 0.49 per share, recorded in May 1972. The net loss for the first five months of 1973 was \$ 5.8 million an improvement of \$ 10.5 million or 64.6 per cent over the \$ 16.3 million loss for the comparable period in 1972.

News and Notes

(Expansion and diversifications)

Polysteels (India) Ltd is going ahead with its expansion plans. A third furnace is being set up. After the expansion the installed capacity will be of the order of 50,000 tonnes per annum. The company has applied for converting up to 12,500 tonnes capacity into alloy steels and it hopes to get a licence for the same shortly. It will be financed partly by a rights issue of Rs 24 lakhs already announced and partly by bank borrowings. After the expansion the turnover is expected to rise to about Rs six crores. Its progress during the current year so far is satisfactory. Its production during the first nine months has totalled 20,000 tonnes. For the year the company hopes to produce 27,000 tonnes, thus exceeding the original target of 25,000 tonnes. The board will be meeting

shortly to consider declaration of an interim dividend.

New Issues

Universal Wires Ltd is entering the capital market on July 12 with a public issue of Rs 17 lakhs consisting of 1,20,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) commulative redeemable preference shares of Rs 100 each both at par. The subscription list will close on July 23, or earlier but not before July 16. Application for shares must be for a minimum of 50 shares or multiples thereof in case of equity shares and five shares or multiple of five in respect of preference shares. A sum of Rs 2.50 per share per equity share and Rs 25 per preference share is payable on application while similar amounts have to be paid on allotment. The balance has to be paid in one or two subsequent calls. The public issue is fully underwritten. The purpose of the issue is to raise a part of the finance required for the Rs 78.50 lakh project being set up at Hyderabad for the manufacture of 3000 tonnes each of special steel wires and galvanised steel wires per annum. The plant will go on stream by January-February next. C. Prabhudas & Co. Ltd., promoted by the well known Mehta Group which has been responsible for floating promising ventures such as Polysteels, S.F. Steels and Polygas, has already set up a wire drawing plant at Bhavnagar. It has developed facilities for drawing ACSR conductors, core wires, cable armour wires, M.S. galvanised wires and N.C. spring steel wires. The company proposes to diversify further its lines of production and undertake the manufacture of additional range of wires such as cold heading quality wires, tyre bead wires and pre-stressed concrete wires. The present capacity of the plant is 900" tonnes and it is now proposed to expand the capacity to 15,400 tonnes per annum. The cost of the project including working capital requirements is placed at Rs 152 lakhs and it will be met by the equity capital of Rs 95 lakhs and loans of Rs 57 lakhs. To raise resources for the implementation of the project the company is approaching the capital market with a public issue of Rs 57 lakhs all in equity shares of Rs 10 each. The management is confident declaring a dividend of 12 per cent for the current year. The new shares now being offered to the public will be entitled to a prorata dividend. The dividend will be stepped up to 15 per cent by 1975.

Goa Carbon Ltd is setting up a 2.35-crore project at Margao, for the manufacture of calcined petroleum coke. The company has entered into technical and financial collaboration agreement with India Carbon Ltd. The installed capacity of the plant will be 50,000 tonnes per annum and it is expected to go on stream by 1975-76. Almost all the plant and equipment will be obtained from indigenous sources. To finance this project the company will be approaching the capital market with a public issue of Rs 70 lakhs comprising 4,50,000 equity shares of Rs 10 each and 25,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The product the company proposes to manufacture is a critical element in the manufacture of aluminium and it is also an important material in the manufacture of graphite electrodes, midget electrodes and for dry cell batteries. Hence the company is assured of a ready market for its products. Barring unforeseen circumstances the company is hopeful of declaring a maiden equity dividend of 10 per cent after the first year of production. The company has been promoted by Mr. Vasantrao S. Dempo, a leading industrialist of Goa, who is also the chairman of the company.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital amounting to over Rs 4.60 crores. Following are the details:

New India Sugar Mills Limited, Calcutta, has been granted consent, valid for three months, for issue of bonus shares worth Rs 7,89,100.

The Cashew Corporation of India Limited, New Delhi, has been granted consent, valid for three months, for issue of bonus shares worth Rs 25 lakhs.

Ceat Tyres of India Limited, Bombay, has been granted consent, valid for three months, for issue of bonus shares worth Rs 55.60 lakhs.

Goodyear India Limited, New Delhi, has been granted consent, valid for three months, for issue of bonus shares and rights shares worth Rs 2,80,63,130 only.

Usha Automobile & Engineering Private Limited, Calcutta, has been accorded consent, valid for three months, for capitalising a sum of Rs 10 lakhs out of General Reserves and issue 1 lakh fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Rambal Private Limited, Madras, has been accorded consent, valid for three months, to capitalise a sum of Rs 6 lakhs out of the General Reserves and issue 6,000 f[...] paid equity shares of Rs [...] each as bonus shares in [...] ratio of 2 bonus shares [...] every equity share held.

Mirch Mirex Limited, [...] public Company incorpora[...] as such on June 6, 1973 [...] been given an acknowled[...]ment to their statement [...] approval for issue of Rs [...] lakhs (inclusive of the exist[...] capital of Rs 14.99 lakhs [...] a private company) partly [...] expand the existing facilit[...] by the construction of a n[...] factory and immediate expa[...]sion of the existing two f[...]tories.

Steel Complex Limited, [...] been accorded consent, va[...] for 12 months, for issue [...] 8.5 per cent convertible [...]bentures on the total amou[...] of Rs 25 lakhs to be plac[...] privately with Unit Trust [...] India.

Company Meetings

The Britannia Biscuit Co[...]pany Ltd: Registered Offi[...] 15, Taratola Road, Calc[...]ta 700053; July 12; 10 A.[...]

The South Madras Elect[...] Supply Corporation Ltd: R[...]gistered Office, Tennur, Tr[...]chirapalli-17; July 12; 4 P.[...]

Licences and Letters of Intent

The following licences a[...] letters of intent were issu[...]

Dividends

(Per ce[...]

Name of the company	Year ended	Equity dividend declared f[...] Current Year	Previou[...] Year
Higher dividend			
Rajapalayam Mills	March 31, 1973	15.0	7.5
Premier Mills (CBE) Ltd	March 31, 1973	18.0	10.0
Aruna Mills	December 31, 1972	16.0	14.0
Bharat Suryodaya Mills Co.	December 31, 1972	15.0	12.0
Bharat Tijay Mills	December 31, 1972	16.0	14.0
Dhanalaxmi Mills	December 31, 1972	12.0	10.0
Super Spinning Mills	March 31, 1973	18.0	12.0
W.I. Plywoods	March 31, 1973	17.0	16.0
Tak Machinery	March 31, 1973	8.0	6.0
Same dividend			
Assam Match Company	December 31, 1972	20.0	20.0
Anglo-French Textiles	December 31, 1972	15.0	15.0
Arvind Mills	December 31, 1972	20.0	20.0

under the Industries (Development and Regulation) Act 1951 for the four weeks ended March 11, 1973. The list contains the names and addresses of the licensees, articles of manufacture, types of licences — New Undertaking (NU); Substantial Expansion (SE); New Article (NA); Carry on Business (COB): Shifting — and annual installed capacity

Licences Issued

Electrical Equipment

M/s The English Electric Co. of India Ltd; P.O. Box No 2, Pallavaram, Madras-43. (Madras-Tamil Nadu) — Medium Voltage Air Circuit Breakers & Medium Voltage Air Circuit Breaqers for use in system upto 600 Volts having current ratings of 400-A, 2000-A & 3000 Amps.—Total 1,000 nos.—(SE); M/s Eswaran & Sons Engineers Pvt. Ltd; 5-7, Second Line Beach, Post Box No. 1912, Madras-1. (Madras-Tamil Nadu) — Air Circuit Breakers in the range of 0-800 Amps.—900 nos.; Air Cuircuit Breakers in the range of 800—4,000 Amps.—300 nos. —(NA); M/s Tarzian (India) Pvt. Ltd; 109-D, Sion-Matunga Industrial Estate, Road No. 29, Sion (East), Bombay-22. (Delhi Admn.) — Magnetic Tape for Audio Recording — 120 million running feet — (COB); M/s Larsen & Toubro Ltd; Gulab Bhavan (2nd Floor), 6-Bahadur Shah Zaffar Marg, New Delhi. (Bombay-Maharashtra) — Industrial Electronics Control Panels — 2,500 nos.; Electronic Devices (small Packaged Units — 3,000 nos.—(NA); M/s Ruttonsha Simpson (P) Ltd; International House, Agra Road, Vikhroli, Bombay-83. (Bombay - Maharashtra) — Frequency Counters — 25 nos; L.P. Generators — 100 nos.; Temperature Testers—200 nos.; Audio Wattmeters — 200 nos; Micro Volt Attenuator — 200 nos; Milli-ohm-Meter—150 nos; Panel Meters Edge Wise Meters 10 Micro amps. to 1000 amps. and 1 V to 100 V — 5,000 nos. Meters with contact type Relays externally adjustable 15 VD 10 MA Max — 3,000 nos; Meters with contactless Relays (15V—10 amp — 2,000 nos — (NA)

Telecommunication

M/s Nippon Electronics (India) Pvt. Ltd, Bull Temple Road, Post Bag No. 1905, (Bangalore-Mysore) — Paper & Metallised Paper Capacitors — 1 million Nos — (NA); M/s Telerad Pvt. Ltd; Saki Vihar Road, Chandvilli, Bombay-72. (Maharashtra) — Television Sets — 20,000 nos. — (SE).

Transportation

M/s Forbes Forbes Campbell & Co. Ltd; Forbes Building, P.B. No. 79, Bombay-1. (Bombay-Maharashtra) — Spark Plugs — 12,00,000 nos — (SE)

Industrial Machinery

The Vijay Steel & General Mills Co. Ltd; M-37, Greater Kailash-1, New Delhi-48. (Phagwara-Punjab) — Complete Equipment for Brew

Houses — 5 nos.; Complete equipment for Malt Houses—5 nos — (NA).

Engineering Industries

M/s Tata Engg. & Locomotive Co. Ltd, Bombay House, 24, Bruce Street, Fort, Bombay-1. (Poona-Maharashtra) — Jigs, Fixtures, Press Tools, etc. — 240 lakhs — (SE); M/s Powder Metals & Alloys Pvt. Ltd; Plot No.-A-30, Road, No. 10, Wagla Industrial Estate, Thana, Maharashtra. (Thana-Maharashtra) — Tungsten Carbide Dies — 48,000 nos.; Tools Holders — 6,000 nos.; Brazed Tools — 1,50,000 nos.; Tungsten Carbide Tips—1,20,000 nos.; Electrical Contacts — 5 tonnes; Tungsten Carbide Powder — 30 tonnes; Sintered Carbide — 10 tonnes; Fused Carbide — 5 tonnes — (NU); M/s Industrial Fabrics Ltd; 95, Abdul Rehman Street, Bombay-3. (Maharashtra) — Decorative & Industrial Laminates — 1974 tonnes — (COB).

Chemicals

M/s Hico Products (P) Ltd; 771, Mogal Lane, Mahim, Bombay-16. (Thana - Maharashtra) — Monocloro Acetic Acid & Sodium Monocloro Acetate — 1,000 tonnes — (NA); M/s National Peroxide Ltd; Neville House, Graham Road, Ballard Estate, Bombay-1. (Kalyan - Maharashtra) — Hydrogen Peroxide (Auto Oxidation Process) — 6,000 tonnes — (SE); The Mettur Chemical & Industrial Corpn. Ltd; Mettur Dam-2, Salem District. (Mettur-Salem-Tamil Nadu) — Silicon Tetrachloride — 600 tonnes; Esters of Silico Acid & their Polymers & Co-polymers — 600 tonnes; Silico Chloroform & other Silanes—3 tonnes — (NA); The Chairman & Mg. Dir., Indian Petrochemicals Corpn. Ltd; P.O. Jawaharnagar, Distt.: Baroda. (Koyali-Gujarat) — Poly Propylene Resins — 30,000 tonnes — By-product : Atactic Polymer — 3,000 tonnes — (NA).

Drugs & Pharmaceuticals

M/s Hoechst Pharmaceuticals Ltd; Dugal House, Backbay Reclamation, Bombay-29. (Bombay - Maharashtra) — Joint Capsules — 25 lakhs nos. —(NA); M/s Hico Products Pvt. Ltd; Mogal Lane, P.B. 6467, Mahim, Bombay-16. (Bombay-Maharashtra)— Procaine Hydrochloride — 150 tonnes; Diethyl Amino Ethanol—130 tonnes; Para Amino Benzoic Acid — 75 tonnes — (NA); M/s Boehringer Knoll Ltd; United India Building, P. Mehta Road, Bombay-1. (Bombay-Maharashtra) — Ampoules Nos. — 20 lakhs; Dragees — 137.40 lakhs; Tablets — 89.64 -lakhs; Capsules — 16.20 lakhs; Granules (Kg.)—2,500; Liquid (Oral) (Litres)—1.5 lakhs; Liquid for external use (Kgs.) — 2,600; Ointments & Jelly (Kg.) — 6,200; Powder (Kg.) — 1,700 — (COB); M/s Ranbaxy Laboratories Pvt. Ltd, Okhla, New Delhi-20. (Okhla-Delhi) — Capsules containing Clidinium Bromide & Chlordiazepoxide (to be manufactured within the (524/72) overall licensed/approved capacity) —(NA); M/s Therapeutic Pharmaceuticals, 105, Kakad Chambers, Dr. Annie Beasant Road, Worli, Bombay. (Bombay-Maharashtra) — Iodochlorohydroxy Quinoline—60 tonnes; Di-Iodohydroxy Quinoline — 60 tonnes — (NA).

Textiles

M/s Pioneer Textiles; Post Box No. 845, Peelamedu Post, Coimbatore-4. (Coimbatore-Tamil Nadu) — 12760 Automatic Spindles for manufacture of cotton yarn after expansion — (SE).

Food Processing Industries

Shri N. R. Gupta, Care Post Box No. 206, Calicut Road, Nathimedu, Salem-2. (Bangalore-Mysore) — Wheat Products — 30,000 tonnes — (NU); M/s Aurofood Pvt Ltd; P.O. Auroville, Via: Pondicherry, (Auroville-South Arcot-Tamil Nadu) — Wheat Products — 1,09,500 tonnes after expansion — (SE); M/s Kaira Distt. Co-operative Milk Producer's Union Ltd; Anand. (Anand-Gujarat) — Baby Food —11,750 tonnes after expansion — (SE); M/s Annapurna Milling Co; 50,; Stephen House, 4, B.B.D. Bag; Calcutta-1. (Howrah-West Bengal) — Wheat Products — 14,400 tonnes — (NU).

Leather and Leather Goods

M/s Farida Prime Tannery: 8, V.V. Koil Street, Madras-3. (Madras-Tamil Nadu) — E.I. Tanned Goat & Sheep Skins —25.50 lakhs pieces after expansion — (SE).

Glass

M/s Hindustan National Glass Mfg. Co Ltd; 2, Wellesley Place, Calcutta-1. (Rishra -West Bengal) — Glass Bottles, Tumblers & Pressedware — 6,000 tonnes — (SE).

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Somani Steels Ltd; Somani Bhawan, 51/27, Navghata, Kanpur. (Uttar Pradesh) — Alloy Steel Wires (Other than stainless steel wires) and Mild steel wires (coated or otherwise) not thicker than 18G—15,000 tonnes — (NU); M/s Manserve Agencies & Services Corpn.; 1006, Akash Deep, 26, Barakhamba Road, New Delhi-1. (Haryana) —Various types of Steel Wires—10,000 tonnes — (NU).

Metallurgical Industries (Non-ferrous)

M/s Elite Metaloys (Pvt) Ltd; Plot No. 5, Gultekdi Industrial Estate, Poona-9. (Maharashtra) — Special Copper based alloys containing Nickel — 60 tonnes; Copper based alloys containing additives like Beryllium, Telurium, etc. — 20 tonnes. Aluminium brasses & bronzes — 40 tonnes; Electrical resistance alloys mainly containing Nickel, Iron & Copper — 30 tonnes; Aluminium based alloys — 90 tonnes — Total — 240 tonnes —(NU); M/s Electric Corpn. of (India) Ltd; Industrial Development Area, Cherlapalli, Hyderabad-40. (Hyderabad-Andhra Pradesh) — Nickel Cadminium Cells — 10 million nos. — (NA).

Electrical Equipment

M/s N.G.E.F. Ltd; P.B. No. 3876, Bangalore-1. (Bangalore-Mysore) — Circuit Breakers 60-400 KV — 300 nos; Circuit Breakers — 33 KV — 300 nos; Auto Reclosers 11 KV — 1,000 nos—(NA); M/s Shree Bhawani Cotton Mills Ltd; B-26, Greater Kailash, New Delhi-48. (Bulandshahar-UP) — Ceramic Capacitors — 20 million nos—(NU); M/s Andhra Pradesh Development Corpn. Ltd; Shankar Bhavan (Ground Floor), B-1-174, Fateh Maidan Road, Post Box No. 13, Hyderabad-4. (Hyderabad - Andhra Pradesh) — Tantalum Capacitors — 2 lakh nos—(NU); M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D. N. Road, Post Box No. 1863, Bombay. (Nasik - Maharashtra) — Ultrasonic Instruments of various capacities i.e. ultrasonic voltage stabilising units, cleaners for rating 25W to 1 KW, welding machine, soldering irons, etc.—(NA).

Transportation

M/s West Bengal Industrial Development Corpn. Ltd; P-15, India Exchange Place Extension, Calcutta-12. (West Bengal) — Scooters — 30,000 nos. —(NU). Kerala State Engg. Technicians (Workshop) Industrial Co-operative Society Ltd; Main Road, Near G.P.O., Trivandrum. (Punnapra-Alleppy-Kerala) — Scooters — 24,000 nos. — (NU); M/s Elegent Industries Pvt. Ltd; 250-D, Worli, Bombay-25.DD. (Bombay - Maharashtra) — Plastic Auto Ancillaries — 120 tonnes — (NU).

Industrial Machinery

M/s Christenson Longyear (India) Ltd; L & T House, Ballard Estate, P.O. Box No. 278, Bombay-1. (Bombay - Maharashtra) — Blast Hole Drills & Operating Equipment including Down the Hole Hammers & Bits, etc.— 15 sets — (SE); M/s Savelle Chemi Pvt. Ltd; "Corinthian", B-5, Ist Floor, 17, Arthur Bunder Road, Colaba, Bombay-5. (Nandesari - Gujarat) — Chemical Plant equipment for Nylon-5, Nylon-66 and Polyster Polymer Chips of Textile & Technical Grades — (NU).

Machine Tools

M/s Shriram Bearings Ltd; Bara Hindu Rao, Post Box No.

1232, Delhi-6. (Ranchi-Bihar) —Ball Flashing Machines, Ball Grinding Machines, Ball Lapping Machines & Ball Tumbling Machines — Total 60 nos. — (NA).

Fertilizers

M/s Delicia India Ltd; Mahalaxmi Chambers, 22, Warden Road, Bombay-26. (Bangalore-Mysore) — Aluminium Phosphide—200 tonnes—(NU).

Chemicals

M/s Sucron Plastics; 59, Forbes Street, Bombay-1. (Gandhidham - Gujarat) — Polypropylene Tubular Woven Sacks — 5 million pieces — (NA); M/s Durgapur Chemicals Ltd; 6, Little Russel Street, Calcutta-16 (Durgapur - West Bengal) — Diocytl Phthalate & Dibutyl Phthalate Plasticisers — 6,000 tonnes — (NA); M/s Chemicals & Resins (P) Ltd; 85, Dr. Annie Besant Road, Worli, Bombay-18. (Vapi Gujarat) — Pentaerythritol & Acetaldehyde — 1,000 tonnes — (NU).

Textiles

M/s Modi Spg. & Wvg. Mills Co. Ltd; Modinagar. (Uttar Pradesh) — Cellophane Film (Transparent paper) —3,000 tonnes — (NU).

Sugar

M/s Nizam Sugar Factory Ltd; Post Box No. 1, Khairatabad P.O., Hyderabad-4. (Nalgonda-Andhra Pradesh)— Sugar — 1250 tonnes per day crushing capacity — (NU).

Food Processing Industries

Shri Satyendra Nath Nundy; Sreedhar Ashram, Swarga Dwar, Puri. (Mayurbhanj-Orissa) — Wheat Products — 18,000 tonnes — (NU); M/s Raipur Flour Mills; Fafadih, Post Box No. 5, Raipur. (Raipur - Madhya (Pradesh)— Wheat Products — 30,000 tonnes after expansion — (SE).

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Raptakos Brett & Co Ltd; 47, Dr. Annie Besant Road, Worli, Bombay — Aerosol Inhaler; M/s Howrah Cotton Mills Ltd; 146, Balilious Road, Howrah — Cotton Yarn & Cloth; M/s Howrah Cotton Mills Ltd. 146, Balilious Road, Howrah — Cotton Yarn & Cloth; M/s Bajaj Electricals Ltd; 47-48, Veer Nariman Road, Bombay-3. — Distribution Transformers; M/s Garlick Engineering. (A division of the Empire Dyg. & Mfg. Co. Ltd.), Bapurao Tagtap Marg, Sant Dadge Maharaj Chowk, Bombay-11 — Cast Iron Pipes And Specials & Cast Iron Castings.

Change in Names of Owners/Undertakings

(Information pertains to particular licences only)

From Shri T. K. Shukla to M/s T. K. Shukla & Co. Limited. From M/s McNally Bird Engg. Co. Ltd. to M/s McNally Bharat Engg. Co. Ltd.

Shri Y. R. Ghorpade

Speech by

Shri Y. R. Ghorpade

Chairman & Managing Director,

THE SANDUR MANGANESE & IRON ORES LIMITED

at the Nineteenth Annual General Meeting held on 29th June 1973

Ladies & Gentlemen,

At the outset I wish to express our deep sense of sorrow and loss at the passing away of Shri Mohan Kumaramangalam whose qualities of head and heart have left an indelible mark on the progress and development of our country. His stewardship of the Ministry of Steel & Mines at this crucial period will be long remembered. His passing away is an irrepairable loss to the nation and to all those who knew him personally.

2. The production of manganese ore in the year 1972 increased to 2.76 lakh tonnes from 2.61 lakh tonnes in 1971 and 2.34 lakh tonnes in 1970. During the second half of 1972 as much as 1.40 lakh tonnes was shipped to Japan. The Company has a shipping programme of three lakh tonnes during 1973 consisting of one lakh tonnes of 38|40% Mn ore; 50,000 tonnes of 36|38% Mn ore; 1.4 lakh tonnes of 31|33% Mn ore and 10,000 tonnes of Siliceous manganese ore. The production, railing and shipping programme of three lakh tonnes for the year 1973 represents a high water mark in the Company's export activities. The railing capacity is adequate for such a programme. In the last four months, the railing has been at the rate of 26,000 tonnes per month. The prices of manganese ore have shown distinct improvement and the company will be exporting three lakh tonnes to Japan in 1973 on the basis of the new prices which become applicable for fresh sales during the year.

3. The company is also mining iron ore in its lease hold area. It supplied about 40,000 tonnes of iron ore to the MMTC during the year and has programmed to supply about 1.5 to 2 lakh tonnes during 1973. This tonnage will be progressively stepped up in the years to come depending on economic feasibility, availability of transport and other facilities. It is the intention of the company to step up iron ore production and export to the maximum extent possible in co-operation with the MMTC and consistent with the country's export programme. As I stated in my speech last year, "Smiore is conscious of the fact that manganese and iron ore production is and ought to be labour intensive and employment oriented. We are, therefore, determined to do as much manganese and iron ore production as is economically feasible, keeping in mind railing, shipping and other available facilities."

4. The Metal & Ferro Alloys Plant had a successful year of operation during 1972. It may be recalled that during 1971, the Company's 15,000 KVA electric reduction furnace had to be shut down for a period of nine months for the purpose of relining. However, the relined and modified furnace is now functioning at optimum efficiency. The production of pig iron during 1972 was 32,016 in tonnes inspite of the 25% power cut imposed by the Mysore State Electricity Board since October. If there had been no power cut, the production would have exceeded 34,000 tonnes. The despatches of pig iron during the year were 31,113 tonnes.

5. The Company has had to revise its pig iron selling prices to offset to some extent the increase in the cost of raw materials especially coke and electrode paste. To further improve the economics of the furnace, the Company intends to concentrate on the production of special grades of pig iron including super-special grade with a maximum phosphorus content of 0.08% which has a promising future. The Company has also taken steps to instal capacitor banks which will be commissioned in August this year and further improve the efficiency and working of the furnace. However the prices of coke have shown a steep increase and there was considerable difficulty in getting coke during the first half of 1973 due to problems of transportation.

6. The Company achieved a gross profit of Rs 37.96 lakhs for the year 1972 before depreciation as against a loss of Rs 40.30 lakhs during 1971 due to the long shut down period. The net profit after providing for depreciation of Rs 29.54 lakhs is Rs 8.42 lakhs. With the improvement in the manganese ore prices and the working of the furnace, the financial outlook for 1973 and subsequent years is very encouraging. During the year the Company has paid Rs 14.45 lakhs to the financial institutions towards repayment of loans. However, due to devaluation of the Dollar, the Company's deferred payment liability has increased by Rs 7.62 lakhs.

7. In my speech last year I had stated that the Company expects to make up by 1974 the losses incurred in 1971. However, in view of the improvement in the prices of manganese ore, it is now expected that the carried forward loss of Rs 43.76 lakhs will be substantially wiped out during 1973 itself. 1975 will be the year when the Company's two new furnaces to produce 24,000 tonnes of ferrosilicon will go into production. Thus, the company can be said to have overcome its initial problems and the period of low manganese ore prices and is now poised to achieve a significant breakthrough in production and profitability both in the field of mining and electro-metallurgy. The capital cost of the Ferrosilicon Project will be Rs 6 crores which will be financed to the

xtent of Rs 90 lakhs from nternal accruals of the Comany and the balance Rs 5.10 rores by issue of fresh capital nd loans from the financial nstitutions viz., Industrial Development Bank of India. ndustrial Credit and Investent Corporation of India. ndustrial Finance Corporaon of India, Life Insurane Corporation of India nd Unit Trust of India. he foreign exchange comonent will be of the order of Rs 170 lakhs. The imort of plant and equipment as been cleared by the Director General of Technical evelopment. The Company as entered into a 12 year agement with the Mysore State lectricity Board for the suply of 40,000 kVA of power n the basis of the present T-1A tariff. The Company xpects to complete the finncing of the project and lace orders for plant and achinery in a month or two. he two ferrosilicon furnaces re expected to be commisoned by September 1975. his will greatly strengthen nd diversify the activities of e Company.

8. With regard to labour elfare, the Company has been lly conscious of the rise in e cost of living and has one its utmost to neutralise e effect of rising prices by uaranteeing to supply adeuate quantities of essential ommodities such as foodains to our employees at rices prevailing in March 972. In other words, the ompany subsidises the cost these essential commodities the extent to which prices ave increased since March 972. The Company has 62 employees and the Smie Employees Co-operative ociety, which has a turnover Rs 35 lakhs per annum, tablished a Departmental ore at Sandur on the Viyadashmi Day viz., 17th Octber 1972, for efficient pur ase and supply of essential ommodities and consumer ticles on a 'no profit no ss' basis. This Departmenl Store has been a big sucss and has played a signifint role in supplying essential commodities at reasonable prices not only to our employees but to the general public as well. This co-operative efforts is a significant pointer to what can be done in a period of rising prices to safeguard the real wages of the worker and also benefit the general public.

9. The year 1972-73 has been very significant for Sandur and its development. The foundation stone of the Narihalla multipurpose project, which has been one of our main demands for the last decade or so, was laid by Shri D. Devaraj Urs, Chief Minister of Mysore on 29th October 1972. This is a multipurpose project which will be completed in 1974-75 and constitutes a very important landmark in the industrial and agricultural development of Sandur and the neighbouring areas. It will facilitate the establishment of the two million tonne Pelletisation Plant in the valley of Sandur apart from irrigating 3500 acres of agricultural land. The Vyasanakere Lift Irrigation scheme to irrigate 3800 acres and the Hulikunta irrigation tank to irrigate about 2,000 acres have also been commenced during the year. The Government of Mysore have decided to establish a Post-Graduate Centre at Nandihalli, in the proximity of Sandur and the Vijayanagar Steel Plant. This Post-Graduate Centre will provide higher educational facilities in various disciplines like Metallurgy, Soil Mechanics, Chemical Engineering, Public Health Engineering, and Water Resources and develop in due course into a Technical University. Work on the Vijayanagar Steel Plant is also expected to be accelerated resulting in an investment of about Rs 500 crores during the Fifth Plan period. The Mining and Metallurgical activities of Sandur Manganese & Iron Ores Limited is a service to the nation which fits into this overall development.

Thank you.

Y.R. GHORPADE

Yeshwantnagar,
29th June, 1973.

HINDUSTAN LEVER LIMITED

Speech delivered by V.G. Rajadhyaksha, Chairman, at the Annual General Meeting of Hindustan Lever Limited, held at Bombay on Friday, 29th June 1973.

SELF-RELIANCE

at work in Hindustan Lever

Included in the Company Report and Accounts for 1972, you will have found a brief selection of activities of your Company which contribute directly to national self-reliance. I intend to devote my address this year to a closer examination of this objective and the implications for your Company.

Our Sanskrit heritage has given us the valuable concept of *Swavalambanam* which goes deeper and beyond mere self-reliance. It is a truly noble concept, conceived in terms of the individual, that, at the core of a man's relationship with the world around him, should be the knowledge that he can, in the ultimate, depend on his own resources as a human being; that he needs no one's favours, that he need fear no man.

As for individuals, so for the nation self-reliance had become a major goal long before the dawn of independence. In those early days, it found expression in 'buy Swadeshi,' and in khadi and the charkha became the symbol of independent India. Now we have matured to a point where true self-reliance, in the positive sense of *Swavalambanam*, is one of the two basic objectives of the approach to the Fifth Five-Year Plan. It does not mean that India seeks economic isolation—that we must aim at producing, from the raw material to the end product, everything that we need. On the other hand, it does mean that we should not depend on external aid nor indeed should we be so closely tied by trade to any one country or group of countries that our economy becomes a hostage to our political fortunes. India will have achieved *Swavalambanam* when it can freely buy from whichever country it chooses the goods, services and technologies it requires and can pay for them in the free foreign exchange it has earned by the sale of its products and skills in the international markets.

How far are we from achieving this idea? One measure of self-reliance is the fact that while exports financed only 57 per cent of our imports in 1960-61 they financed 94 per cent of the imports in 1970-71 and 87 per cent in 1971-72. The balance of trade for 1972-73 may be even more healthy. As a consequence of these efforts, we have been able to reduce net foreign aid from a peak of \$ 1,300 million in 1965-66 to \$ 500 million in 1971-72 and we hope to reach a figure of zero net aid by 1978-79—an ambitious goal to say the least, but one which indicates how far we have come along the road.

Self-reliance, however, is as much a matter of content and quality as of quantity. Thus, for a nation, it must go far beyond the mere physical and monetary levels of imports and exports and must delve deep into their nature. How vulnerable are they to changing external political and economic trends? Are we making the best use of international know-how by using it as a base on which we can build our own technology or has it become a prop on which the indigenous manufacturer will forever want to lean? How good is our ability to adapt and innovate so that we can create new products and find new markets?

Reducing Imports

Looking at reduction of imports first, the problems fall broadly into two categories—firstly, increasing the production of goods and services already made in the country but in short supply, and secondly finding satisfactory substitutes for the remaining imports, or failing that, undertaking indigenous manufacture.

Your Company has formany years been committed to the maximum possible degree of import substitution and I would like to explain why I think our efforts have been so successful. Our great strength has been that our own resources have been helped and stimulated by continuous exposure to a wider international pool of knowledge and experience on which we are able to draw freely. This is not merely a flow of information although this in itself is important, but an exchange of people facing similar problems in different situations. International exchange of men and ideas is no less valuable than an exchange of goods.

It was on this basis of the international nature of all knowledge that we established a major Research base in this country, wholly geared to the problems and opportunities i[n] India. The major priority wa[s] was given to import substitu[-] tion, not merely to arrange f[or] local manufacture of importe[d] components but to ensure tha[t] optimum use was made o[f] resources and materials whic[h] were, or could be made, freel[y] and economically available i[n] India. The relationshi[p] between the special needs o[f] the Indian market, the costs o[f] indigenous basic materia[ls] and the economies of scale o[f] manufacture could well lea[d] to solutions which are base[d] on wholly new concepts tha[t] may have no relevance i[n] European conditions.

Normally this effort is direc[-] ted at the commercial conduc[t] of our business and the consu[-] mer and the economy benef[it] through the market place. Thi[s] however, is not invariably th[e] case, for in moments of regiona[l] or national emergency we ma[y] see a chance to serve th[e] country in a different way[.] One such occasion was whe[n] we were asked to produc[e] locally an equivalent of a[n] imported protein concentrat[e] known as CSM (a mixture o[f] corn, soyabean and mil[k] Powder), which was require[d] for relief feeding programmes[.] Instead of copying the impor[-] ted material which would hav[e] been difficult and expensiv[e] our laboratories produced [a] fully satisfactory alternativ[e] based on cheaper and locall[y] available materials. When th[e] "Sukhdi" programme for th[e] drought affected areas o[f] Maharashtra was conceived[,] we not only made freel[y] available to the Governmen[t] of Maharashtra the necessar[y] manufacturing know-how an[d] formulation, but undertook t[o]

nd members of manage-ent and supervisory staff to nsure that the procurement of aterials and manufacture of e protein concentrate could e arranged efficiently and onomically, and rigid quality ontrol exercised at the various ages of manufacture.

griculture

Although the agricultural onomy of the country is still ependent on the vagaries of e monsoon, the extent to hich progress has been made adopting better agricultural ractices and extending irriga-on systems is very substantial. olid foundations for agricul-ral research have been laid d facilities for extension ork are improving steadily. volved as your Company is the agricultural economy, e are fully committed to the sk of increasing the supply of il seeds and vegetable protein, f milk, eggs and other foods.

Dils

On the oil seeds front, we ake an active part in the rogrammes to increase the upply. By the application of ur skills and experience, orest seeds which have for enturies rotted on the forest oor have become a new ource of vegetable oils. Not nly have we pioneered and timulated the collection and rocessing of these seeds, but ave applied our research and evelopment know-how to ake them usable for produc-ng good quality soaps. To-ay about 40 per cent of the ils used in making your Com-any's soaps were virtually nknown ten years ago. With-ut oils such as sal, neem and usum, our imports of soap-making oils would have been much greater.

The shortage of vegetable oils in this country is however too large to be solved by such efforts. We are therefore, through the Vanaspati Manu-facturer's Association, making a determined attempt to stimu-late the growing of sunflower seeds in various parts of India as there is no other oil seed which has the potential to bridge the gap between supply and demand within the foresee able future. Through the good offices of Unilever Research, we have made available to the Government of India the advice of one of the leading scientists in this field. We have also offered to help Government in setting up a plantation for producing palm oil. In a related activity, your Company encouraged the pro-duction of essential oils in the tea gardens of Assam in 1969, and now the country is moving fast along the road to self-sufficiency in citronella oil. The vast potential for these oils, particularly for the export market, has only just begun to be tapped.

Proteins

Although India has the lar-gest cattle population in the world, the milk yield per animal is so abysmally low that the country has to import skim milk powder and butter fat to augment the supply of liquid milk to the cities. With programmes for developing new strains of high yielding cattle, the prospects, however distant, of providing the growing popula-tion with enough milk are get-ting brighter. Our expanding animal feeds group is in effec-tive partnership with farmers, Government officials and dairy scientists to ensure that these animals receive the carefully formulated balanced rations they must have if their milk-producing potential is to be realised.

Even when milk supplies improve, there will still be a need for other sources of first-class protein. The only practi-cable solution is the rapid development of an efficient poultry industry. We can justly claim to have played a major part in establishing this industry, both by producing scientifically formulated rations and by providing specialist advice and encouragement, both technical and commercial, to a large number of small entrepreneurs in setting up viable poultry units. In for-mulating these rations, we ensure that we make full use of the wide range of raw materials available in the country. Thus, by developing special processing techniques in our own research laborato-ries and testing them on our experimental farms, the feed value of non-traditional oil cakes has been substantially improved. These new cakes are not only being increasingly used in our feeds but can also be exported to a world market always looking for new sources of vegetable proteins. A major benefit from this activity is that larger quantities of oil cakes, like groundnut extrac-tions, have been released for exports.

Industrial Development

The tremendous investment during the last twenty-five years, in basic and key indus-tries has taken this country from being a long way behind in the technological race to a point where we can begin to plan realistically for the kind of self-reliance we are seeking. The range is vast from atomic reactors to aeroplanes, from precision instruments to sophis-ticated electronics, from arms and ammunition to warships and from basic chemicals to pharmaceuticals, It is now taken for granted that there are no basic consumer goods that India cannot make today.

Consumer Goods

It is in consumer goods that your Company has made its largest and most direct contri-bution to the nation's progress towards self-reliance. To give you an example, take the re-placement of soaps by synthetic detergents. The growing de-mand for laundry soaps has led to an undesirable degree of pressure on the country's limi-ted resources of soap-making oils and, in spite of all the progress made in the use of non-traditional oils, it has been necessary to import large and increasing tonnages of tallow in order to conserve the nation's scarce supplies of edible oils for human con-sumption.

Anticipating this growing shortage of soap-making oils, your Company has worked for many years towards a substan-tial and progressive replacement of laundry soaps by synthetic detergents. All the Company's resources — research, develop-ment, production, buying and marketing — have had to be harnessed to this task. Chang-ing from soaps to synthetic detergents has meant bringing about a change in the basic washing habits of a vast num-ber of consumers and an enor-mous programme of education had to be undertaken. Lite-rally millions of demonstra-tions have been carried out to individuals and to groups. Where the conventional media of press, film and radio have been available, these have been used to the full. In rural areas where few media can reach, we have used novel methods — puppet shows and live play-lets at *melas* and *mandi* cen-tres — to attract an audience to demonstrate how the new product worked.

As we gained experience with the synthetic detergent powder, it became clear that an opportunity to accelerate the change to synthetic detergents existed in the development of an alternative product, speci-ally designed for the Indian market. A unique formula has been developed which enables highly concentrated detergency to be available in the convenient and familiar form of a synthe-tic laundry bar, Rin. This pro-duct was placed in the market after years of work, both in the laboratory and in pains-taking market research, to en-sure not only that the product performed well but that its characteristics met with the consumer's approval.

The importance of this work has been recognised in the classification by the Govern-ment of synthetic detergents as a "core" sector industry. Its role in the progress of national self-reliance is crucial, for un-less this industry can grow ra-pidly, the drain on foreign ex-change by importing tallow or edible oils will be enormous. Each tonne of synthetic deter-gent produced saves more than one tonne of imported tallow. When the public sector deter-gent alkylate plant goes on stream and local phosphate manufacture has been expan-

ded, synthetic detergents will be wholly indigenous.

Chemicals

As a Company, we use a wide range of basic and fine chemicals. By the application of our own R & D skills, supplemented by the free access we have to the wealth of Unilever knowledge, we now make indigenously many of the fine chemicals we used to import. A wide range of aromatic chemicals, many of them entirely based on processes developed by our own laboratory, are now in regular manufacture. Similarly, we are now capable of making practically all the nickel catalyst that the country needs for hydrogenation of oil and we are moving into other kinds of catalysts which were hitherto imported.

In basic chemicals also, we are actively considering a major investment and, as you will observe from our Report and Accounts for this year, we have applied for Letters of Intent for Caustic Soda and Industrial Phosphates, both of which are currently in short supply and have had to be imported.

Plant and Instruments

The rapidly developing engineering industrial infrastructure provides a challenge to the industrialist to harness this valuable resource in pursuit of self-reliance. Our achievements in the area of plant and machines are significant and real. We are now able to fabricate and instal plant for the manufacture of synthetic detergents entirely from indigenous sources and have thus been able to implement our part in the Government's plans for the expansion of this "core" sector industry without recourse to foreign exchange for capital goods. In recent years we pursued a programme of manufacture of process and packaging machinery for our soap factories which had hitherto been imported. The tempo has been accelerated and we now feel it is sensible in the national interest, as well as the Company's, to seek an amendment to our Memorandum of Association to enable us to sell this equipment to others who can make effective use of it. In our Research laboratories, we have indignenously fabricated sophisticated scientific instruments. This too will then be made available where it is required. From this base we expect to make a wider contribution to self-sufficiency in this area.

What has all this effort added up to? It is difficult to quantify the true impact of what your Company has achieved in terms of reducing imports because the effects are far-reaching. However, some indication of what has been achieved in mere monetary terms may be of interest. The total savings in imports as a result of the indigenous production of chemicals and the reduction in imports of soap-making oils as a result of our own manufacture of synthetic detergents are approximately as follows:—

	Savings in Imports Rs Crores
1968	2.05
1969	2.94
1970	4.62
1971	6.83
1972	6.89

This takes no account of the extent to which the use of non-traditional soap-making oils saved the import of tallow.

Exports

Just as our programme for reducing imports has gathered momentum over the last five years, so have our exports. Between 1968 and 1972 your Company's exports as shown below, have increased at a compound rate of 69 per cent per annum against a background where the country's total exports have grown at a rate of 8 per cent per annum over the same period.

	HLL Exports Rs Crores
1968	1.08
1969	2.01
1970	4.78
1971	5.52
1972	8.82

Our exports have grown not only in volume and in value, but also in the range of goods and markets. The export drive is based on a multi-pronged attack which makes the fullest use of our resources both internal and world-wide.

The most obvious field for developing exports is the products we make for the internal market. It is also the most difficult one. Most of the significant countries of the world have begun to manufacture the kind of consumer goods that we make and have thus either banned their imports or erected high tariff barriers. In addition, the local prices of the basic materials we need, viz. oils and fats, chemicals, packaging materials, etc. are well above international levels. Despite this, as a result of vigorous efforts by our export house, Indexport, we have built up a significant level of exports to the USSR, of synthetic detergents in consumer packs and we hope to extend this to a range of similar products.

Typical of our efforts is our participation in an exhibition organised by Unilever in Moscow, in collaboration with the USSR Department of Science & Technology and the USSR Chamber of Commerce in December 1972. Hindustan Lever was one of the companies invited to participate in this. The other companies were from UK, Holland, France, West Germany and Switzerland. It was gratifying to note that India was the only country outside Western Europe to be included in the Unilever exhibition and we were able to project forcefully the resources and skills avaiable to us in India. The exhibition pro[ved] to be highly successful and [the] Indian company's partici[pa]tion came in for a great d[eal] of commendation. I think y[ou] will be interested to see [the] presentation which was ma[de] in Moscow, and I have the[re]fore arranged that it sho[uld] follow this address. Not o[nly] was this presentation its[elf] very well received but we w[ere] able to come away from M[os]cow with contracts for n[ew] products in addition to [our] brand of synthetic deterg[ent] which already enjoys a high [re]putation in the Moscow sto[res] where it is sold. We were a[ble] to open discussions which w[ill], we hope, lead to further no[n]traditional exports to this ma[r]ket.

Provided bilateral tra[de] agreements between the t[wo] countries continue to exi[st] we believe that this trade w[ill] grow but for reasons mention[ed] earlier it will not be profita[ble] despite the incentives of du[ty] drawbacks, replenishment [of] import licences and, if th[ey] were granted, cash subsidi[es]. In short, I believe it will neith[er] be possible nor desirable [to] depend on a long-term ba[sis] on a major export busin[ess] based on the kind of consum[er] goods your Company n[ow] makes. We believe, therefo[re] that our long-term export st[ra]tegy must conform to wh[at] must be the only sound exp[ort] strategy for the country as [a] whole, namely, to concentra[te] the export effort on those p[ro]ducts and services in wh[ich] India has natural econom[ic] advantages and in which [it] can ultimately develop to [a] level of world leadership wi[th]out a permanent crutch [of] subsidies and incentives.

For your Company this w[ill] mean new ventures and pr[o]jects. This will fall broad[ly] into two categories. In t[he] first, we plan to use our [re]search knowledge and expe[ri]ence in oils and oil seeds [to] increase the value of these tr[a]ditional resources by furth[er] processing them to give [a] unique added value, or to ta[ke] the product further along t[he] stages of processing than h[as] been traditional in this count[ry]

his is the next logical phase f development from that nade many years ago when the mphasis was shifted from the xport of oil seeds to that of oil nd oil cake. While it is a nore secure proposition than he sale of raw commodities, still depends on a viable reationship between local and orld prices. Our first point f attack will therefore be those roducts in which India enoys a unique advantage.

The second category will nvolve product fields which re new to us but where we elieve our skills, particularly n research and development, an be used to enhance the ountry's natural resources and o enable us to be internationlly competitive in price and uality. It would be premature o mention these projects at his stage, but I can assure you hat we are giving the highest riority to our entry into new reas which are wholly export riented and which will fit in vith our other plans for diersification.

The Stick or the Carrot?

Much publicity has recently een given to the question of ow export activity can est be stimulated — whether he stick or the carrot is nore effective. I am personlly quite convinced that ncouragement to export will ave better long-term benefits han exporting under directive r duress. While short-term ction to link export perforance to domestic production nay appear attractive, there is a rave danger that this could roduce a distortion in the conomy and lead to a series f wholly un-economic decisions made by manufacturers nxious to protect their posion in the domestic market. Two local manufacturers cometing in a small export arket to meet their obligations vill be tempted to drive the rice down in order to reach heir quota with no net adantage to the country. There vill be little encouragement to aise product quality when the xport is at a loss and the hances of building a reputation for performance and prompt delivery will be slender.

Of far more lasting value to the country will be the kind of exports in which a manufacturer knows he can operate commercially in competition with suppliers in other countries. Sound export strategy must be based on a long-term view and involve a thorough study of the market, the preparation of a marketing strategy, the investment of money and management in developing the market and building steadily a reputation for quality and adherence to promised delivery schedules. Government assistance, if given, should take a long-term view and enable the exporter to make commitments without feeling that help may suddenly be withdrawn and the operation no longer viable. The best incentive to an exporter is the prospect of a reasonable return for the investment he is asked to make. In this way, his interests and those of the country are immediately and efficiently identified.

Human Resources

As we talk in terms of national achievements, it is easy to overlook the most important resource we have as a nation. It is in the capacity of our people to discover and innovate, to accept and adapt to change, to develop courage and confidence, that our hope for *Swavalambanam* lies. But this precious resource must, like others, be developed. If we have now achieved a high degree of indigenous competence in research and development, production and marketing, in buying and personnel management, it is because we recognised the need to train and motivate every one who worked for the Company. As the demands on the business have grown, so have the range and depth of our training facilities and programmes, and never in our history have we given so much priority to this activity. Gone are the days when a few men at the top could run a company by issuing fiats and orders to an uninformed and indifferent work force. The worker on the factory floor or the salesman in the bazaar must be as committed to our corporate objective of self-reliance as the Chairman.

The future

I am now on the point of leaving private industry to take up an appointment in the Government and I would like to take this opportunity of stating my strong conviction that the professionally managed private sector in general, and companies like yours in particular, with their strong international links can and should be regarded by the nation as a valuable resource in the achievement of self-reliance. This brings us to a question which is often asked — do companies like yours, although generally recognised to make a contribution to the internal economy, aggravate the country's balance of payments problems? The record speaks for itself. Your Company, by its exports and reduction in imports, has over the last 5 years made a net contribution of Rs 40 crores towards improving the country's balance of payments.

The goal of *Swavalambanam* is too important to our nation to neglect any resource that can help to bring it about. In all the activities I have mentioned above, whether it is training and developing our managers, or helping us to establish contacts with foreign buyers or introducing us to potential collaborators for our major import-saving and export-oriented projects, or keeping us fully informed about world trends in a wide range of commodities, or giving us unrestricted access to world-wide technology and research, we draw heavily on our close contacts with Unilever. With this kind of encouragement from our shareholders, both here and abroad, and the total commitment that I now see on all sides of our business, I am confident that your Company, under its new leadership, will play a growing role in the nation's drive towards self-reliance.

"This does not purport to be a report of the proceedings of the Annual General Meeting."

THE MADRAS ALUMINIUM COMPANY LIMITED

'JAYALAKSHMI', RACE COURSE, COIMBATORE-18.

Shri R. Venkataswamy Naidu's Review

The following is the address to the Members of the Company delivered by Shri R. Venkataswamy Naidu, Managing Director at the 13th Annual General Meeting of The Madras Aluminium Company Limited held at 'Shanmuga Manram', Race Course, Coimbatore-18 on Friday the 29th June, 1973.

I have great pleasure in welcoming you all to the 13th Annual General Meeting of the Company.

At the outset it is my painful duty to refer to the sad demise of Shri Mohan Kumaramangalam, Minister for Steel and Mines under tragic circumstances. In his death, the country has lost a dynamic personality and a Minister of great dedication and drive. His demise is all the more painful to us at a time when a clear cut statement was expected to be issued on the proposal of the Tamil Nadu Government and to set at rest the unfortunate situation created. I also wish to mention with anguish and pain the sad demise of Shri K. Balathandayutham, who was representing Coimbatore in the Lok Sabha. He was also a dedicated trade unionist. I am sure you will join me in passing a resolution of condolence and in communicating the same to the bereaved families.

Your Board of Directors' Annual Report, Balance Sheet as on 31st December 72 with the Profit and Loss Account and Auditors' report have been with you for sometime.

During the year 1972 your Company achieved the highest production, consequent to the Smelter Plant operating at optimum capacity and efficiency and running at over 90,000 Amps rating. The production would have been much higher but for the fact that our first stage of expansion for creating additional production capacity of about 3,500 tonnes, though ready from September 72, could not be commissioned due to power supply restrictions. Since the beginning of the first quarter of 1973, your Company has been facing serious problems and the Plant has almost been totally shut down due to power cut.

Even though the profit for 1972 is better than that of 1971, your Directors decided to skip the dividend on preference as well as on equity shares, in view of the uncertain power supply position and the announcement of the Tamil Nadu Government affecting the cash inflow of your Company. I hope you will appreciate that the Directors' decision, though painful, is necessary in the interests of the Company.

In spite of severe cut in production from February 73 and curtailment of cash generation, we have been keeping up the schedule of repayment of our rupee loans. In the case of repayment of the next instalment of Mediobanca loan, we have secured extension of time till December 73.

In this context, I wish to point out that your Company since it commenced production has repaid up to the end of 1972 foreign exchange loans to the tune of Rs 744 lakhs apart from repaying rupee loans to the tune of Rs 105 lakhs. In addition the Company has spent nearly Rs 5 crores on the expansion project without raising the share capital structure. Hence, the built-in potential of the Company is many times the invested equity. As and when the benefit of the expansion is realised, the Company will become a very viable unit capable of meeting international competition and will also be able to pay adequate dividends to the shareholders.

I expect that the first and second stages of the expansion to produce about 7000/8000 tonnes of additional metal could be commissioned once power supply is restored. If all goes well, I expect the entire expansion project to be commisssioned by the middle of next year. I am also glad to inform you that we have made successful breakthrough in the manufacture of rolled products by continuous casting process and we will be in a position to market sheets and circles before the end of this year.

We are also doing our best to assist Bharat Aluminium Company Limited (a Public Sector Undertaking) by offering our expertise and technical skill in meeting their requirements of some of the machinery and equipments. We have been successful in getting some of our offers accepted by them and we also expect to receive some more orders from them.

We are still pressing the Government of India to allow an increase in the selling prices of our products, as the costs of all raw materials and services have gone up considerably. I understand that the matter is under the active consideration of the Government of India and it is hoped that the Government would see their way to give a favourable decision.

Excepting for minor troubles, we are having excellent relations with labour. I have nothing but praise for the successful working of the Company due to the excellent turnout by our labour force.

I request you to join me in paying tribute to the employees at all levels for their unstinted cooperation and loyal service during this critical period.

I also wish to thank the Government of Tamil Nadu, our Collaborators M/s. Montecatini Edison, Mediobanca of Italy, Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Limited, Unit Trust of India, Life Insurance Corporation of India and Indian Bank and my colleagues on the Board and all our Senior Executives for their help and cooperation.

I wish to reiterate that your Company will soon reach greater heights in production, technical excellence and profitability in spite of the temporary difficulties which it is experiencing now.

Before I conclude, I wish to point out that the progress of the country has been very good since independence and it was well set for industrial development. In this country we have all the potentials for rapid industrial development viz., adequate raw materials, skilled manpower and managerial talent of high order etc., which can bring prosperity to the teeming millions of our people. Unfortunately there has been a set-back in the recent past in the development of the country. The need for the country at present is to have a pragmatic approach and to have a liberal policy for the rapid growth in all sectors of economy. I appeal to the concerned authorities to initiate effective steps in this direction so that the pace of development can be quickened in order to achieve the goal of social objectives.

Note :—This does not purport to be a record of the proceedings of the Annual General Meeting.

MAHINDRA UGINE STEEL COMPANY LIMITED

Statement of the Chairman, Mr. Harish Mahindra

Following is the statement of the Chairman, Mr. Harish Mahindra to the Members on the occasion of the 10th Annual General Meeting of the Company held in Bombay on 29th June, 1973.

At the very outset I would like to refer to the untimely and tragic death of Shri Mohan Kumaramangalam and Shri Satish Loomba. Shri Kumaramangalam had the enviable reputation of being a legal luminary. As a Minister he was known for his dynamism and fresh approach to tackling the problems confronting the Steel Industry in particular and the maladies in general which continue to plague the country. His life was cut short at a time the numerous bold measures he had initiated for the resurgence of the Indian Steel Industry were about to bear fruits. Shri Loomba was my valued colleague on the Bonus Review Committee and was well known for his total dedication and his spirited advocacy of the cause of labour. I take this opportunity to convey my personal condolences to the bereaved families of Shri Kumaramangalam and Shri Loomba.

Expansion:

It is gratifying to be able to report to you that after patient waiting for three seemingly interminable years we have received the Letter of Intent sanctioning our scheme for substantial expansion of the capacity of the Alloy Steel Plant from 24,000 tonnes to 60.000 tonnes of finished steel per annum. I had mentioned to you in my last statement about the delay on the part of the Government in sanctioning our scheme for substantial expansion and the impact of the delay on the capital cost of the Project. The previous cost estimates of capital plant and equipment for the expansion seheme are no longer valid owing to the substantial escalation in the prices of plant and equipment not only in India but all over the world. Previous Projections of capital cost require to be updated—an exercise to be undertaken on the basis of firm offers for supply of plant and equipment from indigenous sources and abroad. We have decided broadly regarding the specifications of plant and equipment required for expansion in conjunction with our technical collaborators, Ugine Aciers. After the capital cost estimates have been finalised in the light of firm offers for supply of plant and equipment from India and abroad, a detailed feasibility study will be prepared based on which our financing plans for expansion will be submitted to the Lending Institutions. I expect to be able to spell out the details of the expansion scheme in the next Report of the Directors.

Fire:

Before I review the economic and political situation of the country, I would like to refer to an unfortunate incident which occurred on the 10th January. A devastating fire broke out in the Registered Office of your company and destroyed furnitures, fixtures, typewriters etc. In the Directors' Report we have mentioned about this untoward happening. We have intimated the authorities concerned about this destruction wrought by the fire. We were obliged to move over temporarily to another building and we are expecting to move to a permanent address within a short time. In this connection, what is most heartening was that the members of the staff, from bottom to top, worked untiringly and with unqualified dedication for restoring normalcy. Fortunately. bulk of the records pertaining to the previous year could be salvaged and we were able to reconstruct the rest of the records, so that the audit could be completed within the statutory time limit. That we have been able to hold the Annual General Meeting within the statutory time limit is by itself an ample testimony to the dedication with which the members of the staff had applied their mind and energy for building up the records afresh. They have my deepest appreciation and thanks for their efforts in restoring normalcy.

Economic & Political Situation:

The year 1972 has been exceptionally difficult one for the economy as well as for the corporate sector. It was in some respect one of the most damaging years for the country's economic development. Practically there was no growth at all in our gross national product and what little increases were achieved in some of the sectors of the economy, mainly Secondary and Tertiary Sectors, were not big enough to compensate for the shortfall in other Sectors, particularly in foodgrains production. As against the anticipated 104 million tonnes actual foodgrains production in the agricultural year 1972-73 is expected to be of the order of only 100 million tonnes. The vexatious problem of fall in production in almost all the Sectors is further complicated by hyper-inflation, as bad as during the post-war period. The major factors responsible for the slide back in the economy are quite well-known. Firstly, the failure of the monsoon in some of the largest States of the country has seriously affected the foodgrains production. It has also meant lack of adequate water in the reservoirs of Hydel Power generation stations. Secondly, there has been an over-too much deficit financing over the past 2/3 years of the order of nearly Rs. 2,000 crores. Thirdly, there has been a dramatic increase in the prices of basic physiological requirements such as food, clothing and shelter. Finally there have been staggering increases in money supply. As against a marginal 3% increase in over-all production over the past 2 years, money supply has increased by about 30% during 1971-72 and 1972-73. It is indeed sad that an arduous and troublesome situation was not anticipated and measures taken in advance to forestall the adverse developments.

Most of the solutions to those contentious problems are rooted in common-sense. For one thing, it is patently unwise to take for granted a satisfactory monsoon. Only 25% of the total area under cultivation is provided with assured water supply. It is therefore high time that even at the risk of delaying growth in other sectors we take up a number of small new irrigation projects and execute them within the shortest possible time.

Given this kind of a setting for the economy, it would be natural to call for stepping up immediately production in all the fields, more so in items of mass consumption, whose prices have been mainly responsible for the present inflationary situation. Success in these fields require as much determination and resolution as we displayed while fighting an external force only recently. It is unfortunate that such a spirit and bonhomie is nowhere to be seen. Nor is there any attempt to mobilise public opinion to concentrate on increased production practi-

cally in every field. In this context I feel that industrialists and heads of corporate bodies should actively participate and articulate their views and debate on the numerous measures initiated or are on the anvil by the Government. I am an optimist by nature and I believe that when the noise, din and bluster settles down, we will have attained a measure of economic and political maturity that will provide the most important bulwark for rapid advancement. I also subscribe to the view that a larger share of the benefits of the growth of the economy must be made available to the less-privileged sections of the community. At the same time, I feel we should not abandon totally the concept of growth, even at the risk of being accused of growthmanship—an attitude and approach which is being pejoratively described in certain quarters as growthmania. I believe that while the benefits for the under privileged and socially vulnerable sections of the society require imperative increases in productivity, greater attention to education, training and employment opportunities for the weaker sections and the assurance of a stable and high rate of growth are much of a sine qua non.

Budget for 1973-74:

Last year I had occasion to say though it has been reiterated by the Government that there will be no revival of the Development Rebate in its original form, it is likely that the Government would seek out a suitable substitute so that the withdrawal of D.R. does not hinder or inhibit industrial development in the country. In the Budget for 1973-74 the Finance Minister has hinted that the Government might introduce an Initial Depreciation Allowance admissible to selected industries in lieu of D.R. In this connection, it would be necessary to underline the fact that while D.R. together with Depreciation Allowance worked out to 115% or 125% depending upon the industry concerned, the Initial Depreciation Allowance would only mean accelerated writing down of the value of the assets. In other words, Initial Depreciation Allowance will not mean any extra allowance beyond 100%. To quote the Finance Minister in this context, the Initial Depreciaton Allowance "provides additional resources to the concerned industries in the early years of their development". I doubt very much whether Initial Depreciation Allowance can serve the purpose of stimulating capital investment as effectively as D.R.

The concept of D.R. had been introduced to enable companies to plough back funds for expansion and growth of business and it had acted as a catalytic agent for industrial growth. I must, in this connection, draw the attention to a recent memorandum submittted by the Federation of Indian Chambers of Commerce & Industry on the issue of termination of D.R. It is well-known that many units who had applied for expansion or are in the process of setting up new units were not able to materialise their schemes on account of the procedural delays in regard to clearance from Monopolies Panel under the MRTP Act. The delay in the issuance of Capital Goods Licence and the complex procedure laid down for obtaining clearance for import of capital equipment from the indigenous availability angle had also delayed implementation of the schemes for setting up new units or attainment of substantial expansion. The indigenous suppliers of plant and equipment have failed to live up to their commitments for supplies of plant and equipment for the new projects or for expansion on account of massive power cuts throughout the country. The cumulative result of all these is that, despite their best efforts, companies which have substantial expansion programmes or new projects on hand will not be able to ensure that their schemes materialise before May 1974—the terminal date for withdrawal of D.R.—for no fault of theirs. Consequently, they will not be able to avail themselves of the concessions accruing from the admissibility of D.R. From this point of view and in the larger interests of industrial production, I strongly recommend to the Government that the terminal date be extended by about 2 years—say till May 1976. This has also been the recommendation by FICCI, which deserves to be considered in all seriousness and earnestness.

It has been stated that a void would be created once the D.R. is totally abolished. I have explained that initial depreciation allowance would not yield any positive incentive and would not serve as an adequate substitute for stimulating investments. Therefore, I would recommend that the Government should seriously think in terms of introducing the concept of initial investment allowance, which had been adopted by the Government of Great Britain for a considerable number of years, This inital investment allowance can be of two types. One serving as an initial investment allowance for industries located in backward areas and the other meant exclusively for core and capital intensive industries, which require longer gestation period. I understand that initial invesment allowance in different forms have been incorporated in the tax structure of most of the advanced countries. I feel that the Government of India should introduce this concept in our tax structure not only to accelerate growth of industries in backward areas but also to stimulate investments in core and capital-intensive industries.

A second point in regard to the Budget that I would like to make relates to the imposition of a fresh levy of Rs 50/- per tonne plus the auxilliary duty of 75% on Electric Furnace Steel. I have not been able to fathom the rationale of this move. We have made numerous representations to the Government pointing out that the imposition of the Excise Duty on Electric Furnace product does tantamount to double imposition of Excise Duty, since scrap, which is the basic raw material of Electric Furnaces, has borne once the incidence of Excise Duty. The inequity entailed in the withdrawal of exemption from Excise Duty applicable to ingots made in Electric Furnaces is too obvious to be laboured. It appears that this move has been taken under a mistaken, though popular, view that Electric Furnaces enjoy "considerable advantages" vis-a-vis integrated steel plants. The truth is that while some time ago the Electric Furnace Industry enjoyed certain basic advantages in view of shorter-gestation period, smaller capital outlay, proximity to market etc. the advantages have virtually been neutralised by sharp escalation in prices of almost all the essential raw materials, such as scrap, power, graphite electrodes, refractories etc. To take the example of scrap alone, the increase between 1968 and June 1972 have been of the order of 100% in the case of Mild Steel Turnings and Borings, 170% in the case of No. 1 pressed bundles, 118% in the case of Heavy Melting Scrap Grade III and 163% in the case of Heavy Melting Scrap Grade II. Similarly, prices of graphite electrodes have increased from Rs. 6,200/- to Rs. 6,900/-or more per tonne over the past 3/4 years. Therefore in the light of these substantial escalation in prices of most of the inputs of the Industry, it would be incorrect to maintain that Electric Furnace Industry continues to enjoy "considerable advantages" over the integrated steel plants.

Steel Industry:

It is necessary to undertake a detailed techno-economic study of the ideal process or rather an ideal mix of routes for attaining the country's steel targets for 1975 and 1980 which have been set before the country. The Blast Furnace/Open Hearth Process, the BOF Process and the Electric Furnace Process—all have their own individual merits and have been accepted as viable

routes of steel making for augmenting steel production in the country under certain given techno-economic conditions. It would be necessary as such to evaluate each process and split the targets amongst the three main Processes.

These remarks regarding the pattern of steel production in the country are prompted by the ambitious steel programme for attaining targets. Also I have in mind not only the mushroom growth of mini-steel plants, but also the heavily capital intensive projects for both new plants on green-field sites and the expansion of the existing tonnage plants. All over the world there is a very distinct trend towards Basic Oxygen Process and Electric Arc Furnace steel making even for bulk steel making. Though the Open Hearth/Blast Furnace Process is very much in vogue, one cannot ignore the fact that some of the old units are being scrapped and BOF or Electric Furnaces have been taking their place. In Canada, for instance, according to informed opinion, while in 1972 the Open Heath Furnaces accounted for 40% of the steel production, the LD Convertors 45% and Electric Furnaces 15% by 1982 the position is likely to be completely transformed to such an extent that the Open Hearth would account for only 15%, LD 60% and Electric Furnaces 25%. The position is very much the same in countries such as the U.S.A., the U.K., Japan, West Germany and also in most other developing countries.

Whenever we consider the desirability of augmenting the liquid metal production through Electric Furnaces route of steel making by about 2 lac tonnes every year, it would be advisable to make a prior estimation of the scrap generation in the country, power requirements and its generation, availability of other raw materials such as graphite electrodes, refractories and so forth. The work initiated in this direction to size up the requirements of raw materials of the Electric Furnace Industry and the matching supplies that would be forthcoming over the next 5 to 10 years by the Committee on Perspective Planning for Electric Furnace Industry appointed by the Steel Furnace Association of India, whose Report has become available, calls for a deeper study and its recommendations deserve to be thoroughly discussed.

Power Crisis:

The fact that the authorities in Delhi were almost caught unawares by the power crisis deepens our forebodings about the validity and success of the planning process in the country. During the last decade, there were manifestations of an emerging power crisis but apparently the warnings went unheeded and the attitude of the Government in regard to power generation, transmission and maintenance of thermal plants was characterised by complacency and indifference. The power crisis, despite the incontrovertible fast of a maverick monsoon, which manifested itself in the last drought, is more man-made than nature-made. The planning process had basically gone wrong in the macro-projections of power requirements for industrial and non-industrial purposes. During the Fifth Plan period it is a matter of sheer necessity that the present generation capacity of about 17 million KW is more than doubled to 41 million KW as a matter of priority. In this context the shortfall in attaining the Fourth Plan target of about 23 million KW does not augur well either for agricultural or industrial growth. Some of the reasons attributed for the shortfall such as delays in the supply of generating equipment by indigenous manufacturers, shortages of construction materials such as steel and cement, and finally paucity of funds have been evading solutions for quite sometime. It is a pity that the so-called inadequacy of funds has always come in the way of implementation of power schemes, so vital and urgent to the economy.

Simultaneously with the expansion of the power generation capacity, it is equally essential that a certain measure of efficiency is attained in the transmission of power by cutting down all losses. The appoiniment of two Expert Groups, one for the Thermal and the other for Hydel, though late in the day, is welcome. It should be hoped that the findings and suggestions of the Study Groups become available at an early date. The neglect of preventive maintenance in our thermal power stations has been one of the major contributing factors to the power crisis. Loss in transmission in India is considered by technical experts to be considerable more than such losses in any other country—a shortcoming which can be easily got over with concerted efforts and certain initial capital expenditure. However, it would be unrewarding to delve into the causes which have contributed to the massive power crisis, but we should take all conceivable steps to narrow the widening gap between supply and demand. What I am pleading for is an end to adhocism in tackling the vital and crucial problems of additional power generation, distribution as well as optimum utilisation of the existing capacities in the country for power generation.

I have dilated at length the question of power crisis. Ours being a power intensive industry, we are deeply concerned about the energy shortage, which tends to perpetuate itself if adequate steps are not taken immediately. In my previous Report to you, I had reported about the abnormal increase in power cost in the State of Maharashtra. The effective power rate for your Alloy Steel Plant registered a sharp increase from 9.3 paise per KWH. (average for 1972) to 13 paise per KWH. following a revision of the power tariff in the State in October 1972. Although we have made numerous representations to the Government of Maharashtra to consider certain concessions for power intensive industries like Electro-metallurgical and Electro-chemical industries—which use power not as one of the utilities but as a raw material—our efforts have not yet yielde[d] any tangible results so fa[r]. However, we are still persisti[ng] in our efforts and I hope th[at] the Government of Maharas[h]tra will favourably conside[r] our representation for rationa[l]isation of power tariff struc[]ture in the State for powe[r] intensive industries.

Operating Results in 1972 an[d] Outlook for 1973:

The Directors' Report ha[s] mentioned to you about [] decrease in sales in 1972 com[]pared to the previous yea[r]. The decline in sales as explain[]ed in the Directors' Repor[t] was due to non-utilisation o[f] the surplus capacity in th[e] Rolling Mill on account o[f] inadequate availability of in[]gots and blooms from externa[l] sources. It will be recalle[d] that in 1971 it was possibl[e] to achieve higher sales throug[h] greater utilisation of the capa[]city in the Rolling Mill as w[e] could arrange for supplies o[f] bought-out ingots and bloom[s] in large quantities. I had pre[]dicted in my last Report tha[t] it might not be possible t[o] achieve the same turnover i[n] 1972 as availability of bought-out blooms and ingots wa[s] uncertain, a factor over which your Directors had no control. Thus the turnover as well a[s] the operating results in 1972 and 1971 are not, strictly speaking, comparable and any conclusion regarding the drop in turnover would be misleading.

The demand for most o[f] our products continued to b[e] satisfactory throughout th[e] year and the order book posi[]tion at the end of the yea[r] reflected a very comfortabl[e] position. There is a considerabl[e] growth potential in the demand for Alloy and special Steel[s] during the next decade due to the anticipated pick-up in th[e] pace of industrialisation. During the first 5 months of 1973, sales have aggregated to Rs. 403.04 lacs as against Rs. 427.96 lacs during the corresponding period of the previous year. Efforts are being made to contain escalating operating costs despite inflationary pressure through greater operating efficiency at different levels.

Dividend:

My colleagues on the Board

nd I have recommended a
dividend of 12 1/2% as will
e noted from the Directors'
Report. This dividend, I am
appy to say, would be totally
ax-free in terms of Section
0K of the Income Tax Act
nd the necessary certificate
rom the authorities is expect-
d shortly. In recommending
he above quantum of dividend
o the share-holders, the Direc-
ors have taken into considera-
ion the necessity of preserva-
ion of the retained funds and
he cash resources, which we
ave built up over the last 5
ears, as these resources will be
eeded for substantial expan-
ion schemes, to which I have
lready referred.

Merchandising Division:

As reported in my last year's statement, steps are being taken to establish a Merchandising Division and efforts are being made to acquire franchise for various products of Pechiney Ugine Kuhlmann. We have already finalised broadly the terms of marketing special carbon products of Le Carbone-Lorraine, in this country. Le Carbone-Lorraine is known for its sophisticated technology for carbon blocks and carbon brushes and these products are being used by the Defence and Defence-oriented industries, Space Research Centres etc. Establishment of the Merchandising Division is intended basically to pave the way for diversification and broadening of our activities into fields where sophisticated technology of Pechiney Ugine Kuhlmann can be deployed.

Drought in Maharashtra:

1972 will be remembered as the "year of drought" which has left landmarks of misery of their own for tens of millions of people. Although drought is prevailing in varying degrees of intensity in different states, Maharashtra appears to be the most afflicted State, not only because of its extreme severity but also because it is the third in succession. The efforts made by State Government in mitigating the sufferings of the people are indeed commendable.

Since our operations are located in the State of Maharashtra, we feel deeply concerned with the sufferings and sorrows of the teaming millions. Your company has donated funds for scarcity relief and the Company has participated in a scheme for providing tractors and trailers to provide water supply for the drought-affected areas.

Thanksgiving:

Before I conclude I would like to express on behalf of my colleagues and myself my thanks to the staff and workers for their loyal and dedicated services. I would also like to express my appreciation of the sound advice and counsel given to me by my colleagues on the Board. We continue to receive closer cooperation and assistance from Ugine Aciers in resolving any technical problem which we encounter.

Note: This does not purport to be the record of the proceedings of the Tenth Annual General Meeting of the Company.

Commercial banking

The Reserve Bank of India Monthly Bulletin for the month of April 1973 has a special supplement on Banking Statistics which covers a number of aspects of commercial banking. The first part of the supplement consists of four summary tables all of which are given below. Table I traces the progress of commercial banking since 1969 and sets out a number of meaningful indicators. It shows that the number of banking offices in this country has almost doubled during the last six years and each office now serves, on an average, about 37,000 persons. It also shows that the share of the priority sectors in total credit of public sector banks has steadily move up from 14.9 per cent in June 1969 to 25.1 per cent in December 1972. Table II sets out the geographical spread of bank offices showing how commercial banks have been opening increasing numbers of offices in rural and semi-urban areas. The same exercise has been re-done in Table II with reference to states as well as banks. Table IV shows detailed breakdown of public sector banks' advances to the prioirty sectors.

TABLE I

Progress of Commercial Banking : 1969-1972

Important Indicators	June 1969	June 1970	June 1971	December 1971	June 1972	December 1972
1. Number of Commercial Banks	89	85	80	83	83	83
(a) Scheduled Commercial Banks	73	72	73	74	74	74
(b) Non-scheduled Commercial Banks	16	13	7	9	9	9
2. Number of offices in India	8,262	10,131	12,013	12,985	13,620	14,739
(a) Rural	1,832	3,062	4,279	4,889	4,815	5,325
(b) Semi-urban	3,322	3,695	4,017	4,224	4,373	4,587
(c) Other urban	1,447	1,583	1,777	1,850	2,323	2,461
(d) Metropolitan & Port Towns	1,661	1,791	1,940	2,022	2,109	2,366
3. Population per office (in thousand)	65	54	46	43	42	37
4. Deposits of Scheduled Commercial Banks in India (Rs crores)	4,646	5,275	6,216	6,937	7,596	8,146
Of which:						
(a) Demand	2,104	2,329	2,743	2,991	3,348	3,458
(b) Time	2,542	2,946	3,473	3,946	4,248	4,688
5. Credit of Scheduled Commercial Banks in India (Rs crores)	3,599	4,213	4,763	5,052	5,466	5,398
Of which: for Food procurement operations (Rs crores)	233	207	379	365	541	159
6. Deposits of Scheduled Commercial Banks per office (Rs lakhs)	58	53	52	54	56	56
7. Credit of Scheduled Commercial Banks per Office (Rs lakhs)	45	42	40	39	40	37
8. Per Capita Deposits of Scheduled Commercial Banks (Rs)	88	98	113	125	135	143
9. Per Capita Credit of Scheduled Commercial Banks (Rs)	68	78	87	91	97	95
10. Deposits as percentage of National Income (at current prices)@	15.3	15.9	17.2	19.6	19.6	19.9£
11. Public Sector Banks, Adavnces to Priority Sectors+* (Rs crores)	439	761	897	971	1,058	1,080**
12. Share of Priority Sectors in total credit of Public Sector Banks (per cent)	14.9	21.2	22.1	22.9	23.0	25.1**
13. Credit Deposit Ratio	77.5	79.9	76.6	72.8	70.8	66.3
14. Investments Deposit Ratio%	29.3	28.5	29.1	31.0	30.4	35.1
15. Net Liquidity Ratio*	31.1	27.8	30.0	32.8	34.5	34.5
16. Cash Deposit Ratio+	8.2	6.8	6.5	6.3	6.5	6.6

@Relates to end March. £March 1973.

+*Priority Sectors refer to Agriculture, Small-scale Industry Road & Water Transport Operators, Retail Trade & Small Business, Professionals and Self-employed and Education.

**Relate to end September 1972.

%Investments in Government and other approved securities as a proportion to aggregate deposits.

*Ratio of specified net liquid assets viz. cash in hand, balances with Reserve Bank of India, balances with other banks in current account, investments in government and other approved securities less borrowings from Reserve Bank of India, State Bank of India, & Industrial Development Bank of India to aggregate demand and time liabilities.

+Cash in hand and balances with Reserve Bank of India as a proportion to Aggregate Deposits.

Note: Classification of centres upto 1971 is basd on 1961 census and for 1972 on 1971 census.

TABLE II

Geographical Spread of Bank Offices

Bank Group/centres	As at the end of June				Increase over the year ended June			No. of offices as on Dec 1972	Increase in offices (between June 30, 1969 & Dec 31, 1972
	1969	1970	1971	1972	1970	1971	1972		
State Bank of India Group									
Rural	819	1,149	1,558	1,584	330	409	26	1,729	910
	(33.3)	(39.1)	(44.3)	(44.3)	(69.8)	(70.0)	(5.9)	(40.5)	(50.5)
Semi-urban	1,170	1,240	1,299	1,527	70	59	228	1,593	423
	(47.5)	(42.3)	(36.9)	(38.6)	(14.8)	(10.1)	(51.9)	(37.4)	(23.5)
Urban	248	295	374	503	47	79	129	531	283
	(10.1)	(10.1)	(10.6)	(12.7)	(9.9)	(13.5)	(29.4)	(12.5)	(15.7)
Metropolitan/Port Towns	225	251	288	344	26	37	56	411	186
	(9.1)	(8.6)	(8.2)	(8.7)	(5.5)	(6.4)	(12.8)	(9.6)	(10.3)
Total	2,462	2,935	3,519	3,985	473	584	439	4,264	1,802
	(100.2)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
14 Nationalised Banks									
Rural	686	1,448	2,123	2,455	762	675	332	2,739	2,053
	(16.6)	(27.2)	(33.3)	(34.1)	(64.4)	(64.3)	(40.4)	(35.1)	(56.0)
Semi-urban	1,452	1,695	1,891	1,988	243	196	97	2,089	637
	(35.1)	(31.9)	(29.7)	(27.7)	(20.5)	(18.7)	(11.8)	(26.8)	(17.4)
Urban	928	1,007	1,092	1,393	79	85	301	1,480	552
	(22.5)	(18.9)	(17.2)	(19.4)	(6.7)	(8.1)	(36.7)	(19.0)	(15.0)
Metropolitan/Port Towns	1,068	1,168	1,262	1,353	100	94	91	1,494	3,668
	(25.8)	(22.0)	(19.8)	(18.8)	(8.4)	(8.9)	(11.1)	(19.1)	(11.6)
Total	4,134	5,318	6,368	7,189	1,184	1,050	821	7,802	3,668
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Other Indian Scheduled Commercial Banks									
Rural	265	393	547	731	128	154	184	809	544
	(20.1)	(25.3)	(29.2)	(32.7)	(54.4)	(48.0)	(50.7)	(33.2)	(48.8)
Semi-urban	595	673	777	810	78	104	33	857	262
	(45.1)	(43.3)	(41.4)	(36.2)	(33.2)	(32.4)	(9.1)	(35.3)	(23.5)
Urban	231	249	291	413	18	42	122	436	205
	(17.5)	(16.0)	(15.5)	(18.5)	(7.6)	(13.1)	(33.6)	(17.9)	(18.4)
Metropolitan/Port Towns	228	239	260	284	11	21	24	332	104
	(17.3)	(15.4)	(13.9)	(12.6)	(4.7)	(6.5)	(6.6)	(13.6)	(9.3)
Total	1,319	1,554	1,875	2,238	235	321	363	2,434	1,115
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Foreign Banks									
Rural	1	1	1	..	..	..	..	..	—1
Semi-urban	2	2	2	3	..	..	..	3	+1
Urban	9	9	9	9	..	..	..	9	..
Metropolitan/Port Towns	118	119	118	118	..	..	..	118	..
Total	130	131	130	130	..	..	..	130	..

(Contd.)

TABLE II

Geographical Spread of the Bank Offices—*Contd.*

	1	2	3	4	5	6	7	8	9
Non-Scheduled Commecrial Banks									
Rural	61 (28.1)	71 (36.8)	50 (41.3)	45 (42.9)	10	—21	—5	48 (44.0)	—13
Semi-urban	103 (47.5)	85 (44.0)	48 (39.7)	45 (42.9)	—18	—37	—3	45 (41.3)	—58
Urban	31 (14.3)	23 (11.9)	11 (4.7)	5 (4.7)	—8	—12	—6	5 (4.6)	—26
Metropolitan/Port Towns	22 (10.1)	14 (7.3)	12 (9.9)	10 (9.5)	—8	—2	—2	11 (10.1)	—11
Total	217 (100.0)	193 (100.0)	121 (100.0)	105 (100.0)	24	—72	—16	109 (100.0)	—108
All Commercial Banks									
Rural	1,832 (22.1)	3,062 (30.2)	4,279 (35.6)	4,815 (35.4)	1,230 (65.8)	1,217 (64.7)	536 (33.3)	5,325 (36.1)	3,493 (53.9)
Semi-urban	3,322 (40.2)	3,695 (36.5)	4,017 (33.4)	4,373 (32.0)	373 (20.0)	322 (17.1)	359 (22.2)	4,587 (31.1)	1,265 (19.5)
Urban	1,447 (17.6)	1,583 (15.6)	1,777 (14.8)	2,323 (17.1)	136 (7.3)	194 (10.3)	546 (34.0)	2,461 (16.7)	1,014 (15.7)
Metropolitan/Port Towns	1,661 (20.1)	1,791 (17.7)	1,940 (16.2)	2,109 (15.5)	130 (6.9)	149 (7.9)	169 (10.5)	2,366 (16.1)	705 (10.9)
Total	8,262 (100.0)	10,131 (100.0)	12,013 (100.0)	13,620 (100.0)	1,869 (100.0)	1,882 (100.0)	1,607 (100.0)	14,739 (100.0)	6,477 (100.0)

NOTE:

(1) Figures in brackets indicates percentage to total. (2) (a) Rural Centres—Places with a population upto 10,000. (b) Semi-urban Centres—Population over 10,000 and upto 1,00,000. (c) Urban Centres—Population over 1,00,000 and up to 10,00,000. (d) Metropolitan Centres—Population over 10,00,000. (e) Port towns-Cochin, Kakinada, Mangalore, Nagapattinam, Okha, Paradeep, Pondicherry, Port Blair, Kandla, Visakapatnam and Tuticorin. (3) Classification of Centres upto 1971 is based on 1961 Census and for 1972 on 1971 census.

TABLE III

Statewise and Bank Groupwise Distribution of Bank Offices as on 31st December 1972 and increase in Number of Offices since Nationalisation

I. NORTHERN REGION

	Haryana		Himachal Pradesh		Jammu & Kashmir		Punjab		Rajasthan		Chandigarh		Delhi		Total	
	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of- December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No of offices as at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices as at the end of December 1972	Of which increase since date of nationalisation
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I. State Bank of India Group																
1. State Bank of India	65	31	40	25	43	40	105	66	16	5	7	2	68	41	344	210
2. Subsidiaries	36	16	15	7	—	—	112	52	288	86	5	4	14	9	470	174
TOTAL :	101	47	55	32	43	40	217	118	304	91	12	6	82	50	814	384

(*Contd.*)

TABLE III

Statewise and Bank Groupwise Distribution of Bank Offices as on 31st December 1972 and increase in Number of Offices since Nationalisation—Contd.

I. NORTHERN REGION

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
II. Nationalised Banks																
1. Allahabad Bank	3	—	—	—	—	—	9	2	5	3	1	—	8	2	26	7
2. Bank of Baroda	[illegible]	2	—	—	2	2	7	2	51	41	2	—	15	5	81	52
3. Bank of India	5	5	—	—	2	—	26	13	8	3	—	1	21	8	[illegible]	[illegible]
4. Bank of Maharashtra	—	—	—	—	—	—	—	—	—	—	—	—	1	—	1	—
5. Canara Bank	1	—	—	—	—	—	—	—	1	1	—	—	11	9	13	10
6. Central Bank of India	[illegible]	9	9	6	6	2	57	19	42	24	3	1	38	11	195	72
7. Dena Bank	1	1	—	—	—	—	3	1	2	—	1	1	31	6	18	[illegible]
8. Indian Bank	—	—	—	—	—	—	—	—	—	—	—	—	3	6	8	6
9. Indian Overseas Bank	2	1	—	—	—	—	10	5	4	—	1	1	7	3	21	10
10. Punjab National Bank	62	27	38	28	23	18	157	58	70	34	7	3	62	14	419	182
11. Syndicate Bank	12	12	—	—	—	—	—	—	1	1	—	—	29	19	42	32
12. Union Bank of India	3	2	2	1	1	1	11	2	5	2	1	—	15	6	38	14
13. United Bank of India	—	—	—	—	—	—	—	—	—	—	—	—	8	4	8	4
14. United Commercial Bank	10	1	13	10	4	—	33	16	44	19	2	—	21	3	127	49
TOTAL	144	58	62	45	37	25	313	118	228	128	20	7	256	95	1060	476
III. Other Indian Scheduled Commercial Banks	76	43	4	4	47	43	186	135	103	47	5	3	74	14	495	[illegible]
IV. Foreign Banks	—	—	1	—	1	—	3	—	—	—	—	—	18	—	23	—
V. Non-Scheduled Commercial Banks	—	—1	—	—	—	—15	1	—5	—	—	—	—	—	—3	1	—24
All Banks (I to V)	321	147	122	81	128	93	720	366	635	263	37	16	430	156	2393	[illegible]

II. NORTH-EASTERN REGION

	Assam		Meghalaya		Manipur		Nagaland		Tripura		Mizoram		Arunachal Pradesh		Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I. State Bank of India Group																
1. State Bank of India	52	16	7	5	1	—	5	2	3	—	1	1	5	5	74	29
2. Subsidiaries	1	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—
TOTAL	53	16	7	5	1	—	5	2	3	—	—	1	5	5	75	[illegible]
II. Nationalised Banks																
1. Allahabad Bank	3	2	—	—	—	—	1	1	—	—	—	—	—	—	4	3
2. Bank of Baroda	1	—	1	—	—	—	—	—	—	—	—	—	—	—	2	[illegible]
3. Bank of India	1	—	1	1	—	—	—	—	—	—	—	—	—	—	2	1
4. Bank of Maharashtra	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Canara Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6. Central Bank of India	5	3	1	—	—	—	—	—	—	—	—	—	—	—	6	[illegible]
7. Dena Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8. Indian Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9. Indian Overseas Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10. Punjab National Bank	5	1	1	1	—	—	—	—	—	—	—	—	—	—	6	[illegible]
11. Syndicate Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12. Union Bank of India	3	2	—	—	—	—	—	—	—	—	—	—	—	—	3	[illegible]
13. United Bank of India	54	39	4	3	6	5	—	—	9	8	—	—	—	—	73	[illegible]
14. United Commercial Bank	24	19	2	—	—	—	—	—	2	1	—	—	—	—	28	[illegible]
TOTAL :	96	66	10	5	6	5	1	1	11	9	—	—	—	—	124	[illegible]
III. Other Indian Scheduled Commercial Banks	2	2	—	—	—	—	—	—	—	—	—	—	—	—	2	[illegible]
IV. Foreign Banks	1	—	—	—	—	—	—	—	—	—	—	—	—	—	1	—
V. Non-Scheduled Commercial Bank	6	—	—	—	—	—	—	—	—	—	—	—	—	—	6	—
All Banks (I to V)	158	84	17	10	7	5	6	3	14	9	1	1	5	5	208	[illegible]

III. EASTERN REGION / IV. CENTRAL REGION

	Bihar		Orissa		West Bengal		Andaman & Nicobar Islands		Total		Madhya Pradesh		Uttar Pradesh		Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I. State Bank of India Group																
1. State Bank of India	241	139	105	47	209	104	3	2	558	292	208	91	476	205	684	[illegible]
2. Subsidiaries	1	—	—	—	5	3	—	—	6	3	120	68	12	7	132	[illegible]
TOTAL :	242	139	105	47	214	107	3	2	564	295	328	159	488	212	816	[illegible]

(Contd.)

TABLE III

Statewise and Bank Groupwise Distribution of Bank Offices as on 31 December 1972 and increase in Number of Offices since Nationalisation *(Contd.)*

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
II. Nationalised Banks																
1. Allahabad Bank	27	13	4	2	42	16	—	—	73	31	33	25	132	66	165	91
2. Bank of Baroda	19	12	3	—	29	9	—	—	51	21	20	11	72	57	92	68
3. Bank of India	45	33	13	10	42	14	—	—	100	57	58	41	40	32	98	73
4. Bank of Maharashtra	—	—	—	—	—	—	—	—	—	—	9	3	—	—	9	3
5. Canara Bank	8	6	8	6	6	3	—	—	22	15	5	4	19	18	24	22
6. Central Bank of India	104	71	9	5	62	32	—	—	175	108	106	81	157	68	273	149
7. Dena Bank	4	2	1	1	8	2	—	—	13	5	31	21	9	7	40	28
8. Indian Bank	1	—	3	3	6	4	—	—	10	7	—	—	—	—	—	—
9. Indian Overseas Bank	—	—	7	5	10	1	—	—	17	6	—	—	3	3	3	3
10. Punjab National Bank	51	24	4	1	31	8	—	—	86	33	59	17	204	87	263	104
11. Syndicate Bank	—	—	—	—	2	—	1	1	3	1	—	—	20	20	20	20
12. Union Bank of India	12	6	2	—	9	1	—	—	23	7	20	6	78	58	98	64
13. United Bank of India	22	7	13	6	215	101	—	—	250	114	—	—	11	6	11	6
14. United Commercial Bank	36	13	32	22	73	24	—	—	141	59	36	7	44	11	80	18
TOTAL :	329	187	99	61	535	215	1	1	964	464	377	216	789	433	1166	649
III. Other Indian Scheduled Commercial Banks	3	—25	13	9	36	3	—	—	52	—13	20	6	160	50	180	56
IV. Foreign Banks	—	—	—	—	46	1	—	—	46	1	—	—	2	—	2	—
V. Non-Scheduled Commercial Bank	1	—	—	—	—	—	—	—	1	—	—	—	12	3	12	3
All Banks (I to V)	575	301	217	117	831	326	4	3	1627	747	725	381	1451	698	2176	1079

V. WESTERN REGION

Bank Group	Gujarat		Maharashtra		Goa, Daman & Diu		Dadra & Nagar Haveli		Total	
	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation
	1	2	3	4	5	6	7	8	9	10
I. State Bank of India Group										
1. State Bank of India	183	68	256	58	15	4	—	—	454	130
2. Subsidiaries	136	46	83	24	1	—	—	—	220	70
TOTAL :	319	114	339	82	16	4	—	—	674	200
II. Nationalised Banks										
1. Allahabad Bank	2	—	15	3	—	—	—	—	17	3
2. Bank of Baroda	259	100	113	30	17	8	—	—	389	138
3. Bank of India	121	55	165	90	21	12	—	—	307	157
4. Bank of Maharashtra	2	1	298	159	2	—	—	—	302	160
5. Canara Bank	7	3	78	37	14	—	—	—	99	40
6. Central Bank of India	130	56	133	53	16	6	—	—	279	115
7. Dena Bank	285	172	131	54	11	5	4	4	431	235
8. Indian Bank	2	1	18	6	—	—	—	—	20	7
9. Indian Overseas Bank	12	2	20	8	4	2	—	—	36	12
10. Punjab National Bank	31	2	54	11	—	—	—	—	85	13
11. Syndicate Bank	4	1	37	17	13	—	—	—	54	18
12. Union Bank of India	65	24	111	44	3	—	—	—	179	68
13. United Bank of India	4	—	4	—	—	—	—	—	8	—
14. United Commercial Bank	47	5	44	10	5	—	—	—	96	15
TOTAL :	971	422	1,221	522	106	33	4	4	2,032	981
III. Other Indian Scheduled Commercial Banks	6	2	197	68	1	—	—	—	204	70
IV. Foreign Banks	—	—	38	—	1	—	—	—	3	—
V. Non-Scheduled Commercial Banks	—	—	4	2	—	—	—	—	4	2
All Banks (I to V)	1,296	538	1,799	674	124	37	4	4	3,223	1,253

(Contd.)

TABLE III

Statewise and Bank Groupwise Distribution of Bank Offices as on 31st December 1972 and Increase in Number of Offices since Nationalisation—Contd.

VI. SOUTHERN REGION

Bank Group	Andhra Pradesh		Kerala		Mysore		Tamil Nadu		Pondicherry		Laccadive, Minicoy & Amindivi islands		Total		All India	
	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation	Total No. of offices at the end of December 1972	Of which increase since date of nationalisation
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I. State Bank of India Group																
1. State Bank of India	295	121	33	12	73	22	234	70	6	2	—	—	641	227	2755	1184
2. Subsidiaries	171	69	228	98	249	112	32	14	—	—	—	—	680	293	1509	615
TOTAL :	466	190	261	110	322	134	266	84	6	2	—	—	1321	520	4264	1799
II. Nationalised Banks																
1. Allahabad Bank	4	2	1	—	1	—	1	—	—	—	—	—	7	2	292	137
2. Bank of Baroda	10	2	8	1	8	2	38	18	1	1	—	—	65	24	680	303
3. Bank of India	18	12	6	1	15	10	24	15	—	—	—	—	63	38	633	356
4. Bank of Maharashtra	1	—	—	—	7	4	1	1	—	—	—	—	9	5	321	168
5. Canara Bank	27	11	84	37	267	180	154	49	1	—	—	—	533	277	691	364
6. Central Bank of India	42	18	39	24	28	10	65	22	—	—	—	—	174	74	1092	521
7. Dena Bank	7	4	4	3	8	5	6	3	—	—	—	—	25	15	527	291
8. Indian Bank	49	21	26	10	15	2	226	83	6	5	—	—	322	121	360	141
9. Indian Overseas Bank	19	5	24	9	26	17	181	69	4	2	—	—	254	102	331	133
10. Punjab National Bank	13	2	2	—	9	2	34	—	—	—	—	—	58	4	917	338
11. Syndicate Bank	79	47	61	25	265	102	36	8	1	1	4	4	446	187	565	258
12. Union Bank of India	47	36	50	22	17	12	52	40	—	—	—	—	166	110	507	265
13. United Bank of India	—	—	—	—	—	—	4	—	—	—	—	—	4	—	354	179
14. United Commercial Bank	9	3	8	1	8	1	31	13	4	1	—	—	60	19	532	180
TOTAL :	325	163	313	133	674	347	853	321	17	10	4	4	2186	978	7802	3634
III. Other Indian Scheduled Commercial Banks	254	123	368	254	425	181	452	131	2	1	—	—	1501	690	2434	1094
IV. Foreign Banks	2	—	4	—	1	—	12	—1	—	—	—	—	19	—1	130	—
zV. Non-Scheduled Commercial Banks	—	—	84	—72	1	—	—	—18	—	—	—	—	85	—90	109	—109
All Banks (I to V)	1047	476	1036	425	1423	662	1583	517	25	13	4	4	5112	2097	14739	6418

TABLE IV

Public Sector Banks' Advances to Priority Sectors **(In lakhs of rupees)**

	Outstanding as on the last Friday of								Increase over the year ended						Outstanding as on last Friday of September 1972	Increase during June 27, 1969 & September 29, 1972
	June 1969		June 1970		June 1971		June 1972		June 1970		June 1971		June 1972			
	Amount	% to total credit	Amount	% to total credit	Amount	% to total credit	Amount	% to total credit	Amount	% to total credit	Amount	% to total credit	Amount	% to total credit		
1. Agriculture (Total) Of which—	16,233	5.5	29252	8.2	33011	8.1	38825	8.4	13019	20.9	3759	7.5	5814	10.7	40409	24176
(a) Direct Finance	4021	1.4	15344	4.3	19740	4.8	23150	5.0	11323	18.2	4396	8.8	3410	6.3	24581	20560
(b) Indirect Finance	12212	4.1	13908	3.9	12271	3.3	15675	3.4	1696	2.7	—637		2404	4.4	15828	3616
2. Small-scale Industries	25107	8.5	36980	10.3	44220	10.8	52713	11.4	11882	19.1	7231	14.4	8493	15.7	52668	[illegible]
3. Road & Water Transport Operators	549	0.2	2474	0.7	4003	1.0	5043	1.1	1925	3.1	1529	3.0	1040	1.9	5017	4468
4. Retail Trade & Small Business	1937	0.6	6486	1.8	7195	1.8	7742	1.7	4549	7.3	709	1.4	547	1.0	8227	6290
5. Professionals & Self-employed	191	0.1	675	0.2	858	0.2	1216	0.2	484	0.8	183	0.4	358	0.7	1333	1142
6. Education	80	—	207	0.1	370	0.1	290	0.1	127	0.2	163	0.3	—80		304	224
Total (1 to 6)	44097	14.9	75094	21.1	89657	22.0	105829	22.9	31986	51.4	13574	27.0	16172	29.9	[illegible]	[illegible]

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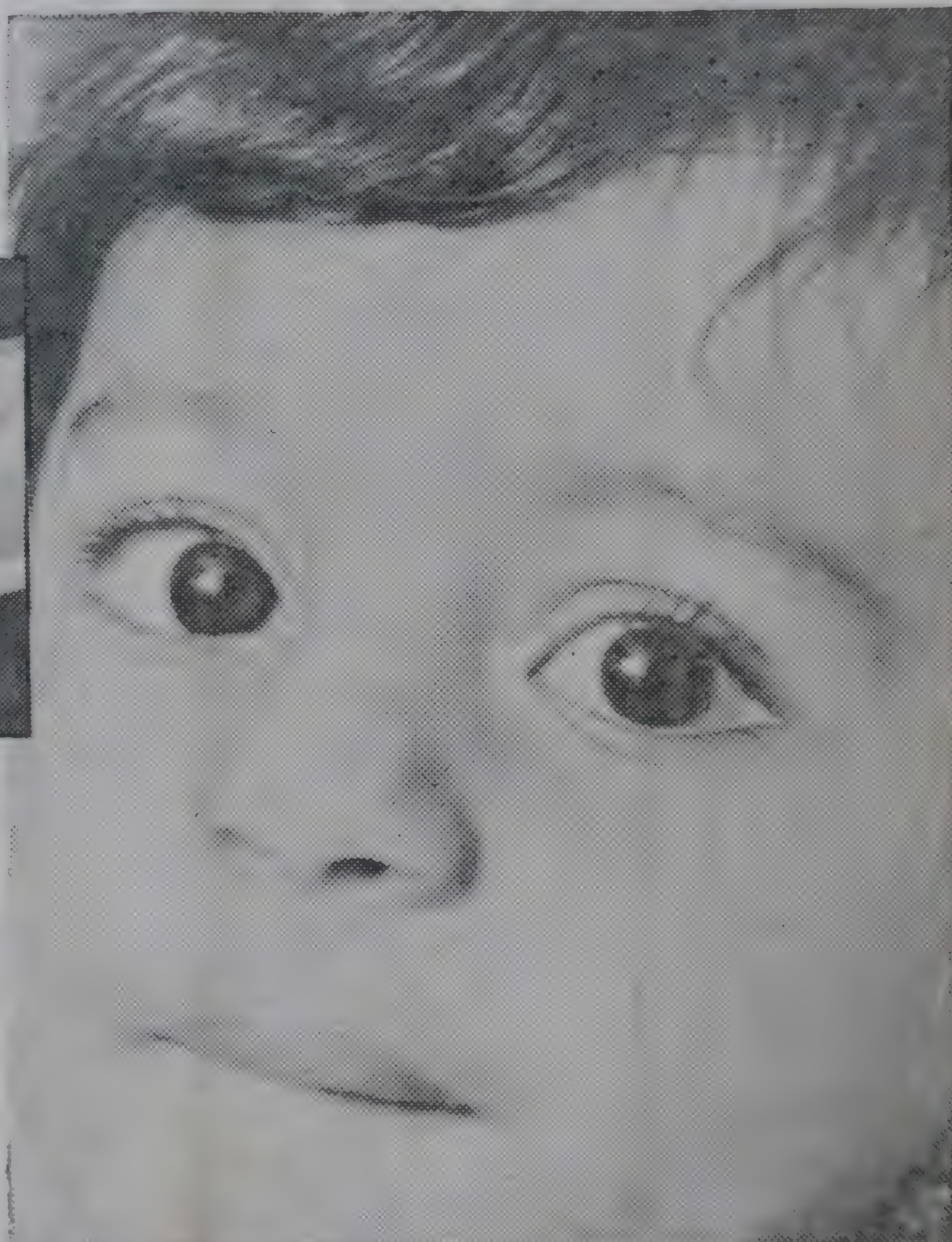

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When thieves fall out

NOTHING—REPEAT "nothing" — is more calculated to restore one's faith in human nature than the sight and sound of thieves falling out in high places. We had a foretaste of the goodies to come when Messrs Mathiazhagan, Manoharan and company pulled a fast one on Mr Karunanidhi in Tamil Nadu some months ago. Right now, in Punjab, we have the land-grabbers, on whom the first stone has been thrown, trying to pay back in kind the fakers of TA bills. The public, however, did not exactly need the ADMK in Tamil Nadu or the Harchand Singh Committee in Punjab to help them to a glimpse of how lack of integrity rather than integrity has become the rule of conduct in men or women wielding political power or exercising influence on public affairs. On the contrary, enough has been widely known already and even more suspected of the extent to which greed for money or lust for power has been eating into the vitals of honest government or administration.

It is not entirely idle curiosity therefore which makes so many of us in this country take such a keen interest in newspaper or other press reports of the Watergate scandal in the United States or the proceedings of the progress of the Senate committee inquiring into its ramifications. One of the most disturbing disclosures of wrong-doing at the White House, which has come to the notice of the American and the world public so far, relates to the pressure exercised by public officials on business interests to cough up money for the President's re-election campaign or other political purposes. In our own country there has been a strong suspicion for many years now that the stalwarts of the ruling party have been practising similar tactics. The names of central cabinet ministers, past or present, have been freely bandied about in this connection and the waves of reports or rumours have been beating against the walls of the throne-room if not against the sides of the throne itself.

The haphazard and often highly arbitrary manner in which major decisions affecting whole industries or large individual industrial projects have been taken from time to time has strengthened the impression in the public mind that these decisions have more often than not been in the nature of a quid pro quo involving under-the-counter transactions between politicians and businessmen. As a matter of fact, it is being increasingly felt by ordinary men and women in our land that an elaborate facade of state control over industry and commerce has been built up and is being further extended or strengthened not so much for promoting socialism of any description but for securing to the politicians in power an ever-increasing measure of political control over individual businessmen as well as the business community collectively. The government, in other words, is capturing the commanding heights of the economy, not in order to direct investment or promote production more effectively, nor even for countering the so-called concentration of economic power in private hands, but for concentrating political power in its own hands so that it could use it against the industrial and commercial interests for furthering its own political interests.

There is, unfortunately, no denying the fact that the business community has to bear part of the blame for this sorry state of affairs. Industrial or trade associations, for instance, have utterly failed to develop a philosophy of free enterprise or even a rationale for a mixed economy which public opinion could have accepted or the government felt obliged to respect. On the contrary, they have been acting like money-changers in the Temple, bickering over the small order of things and showing more interest in pursuing narrow sectarian advantages than thinking or acting in the broad terms of public good or national progress. As a result, their views on economic issues have more often than not been received by public opinion as merely special pleadings to which no great credibility need be attached. They have consequently become feeble instruments for persuading the government or exercising legitimate pressure on it to change policies which are harmful to economic progress or adopt policies which are likely to promote economic growth more effectively.

The lapses of individual businessmen have been even more serious. Far too many of them have far too often been tempted to take the easy way out of the difficulties and obstacles created by the government's machinery of controls and regulations by bribing their way to licences, quotas or other entitlements for carrying on their normal vocation. It is not suggested here that every businessman has been buying ministers or officials in this way or that all the ministers and officials have let themselves be bought, but the fact remains that in the central and state governments a pervasive atmosphere of

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corruption has been generated and sustained in the dealings of businessmen with politicians or the services.

The results have been extremely bad for the economy and the people. Economic policies, announced with a beat of drums, are not being faithfully implemented in their details in the normal course. The principles adumbrated or the guidelines prescribed in them are not applied objectively and impersonally. Honest officials hesitate to express their views freely or frankly because they are afraid that they may be suspected of having been unduly influenced. As for honest ministers, their prime concern is with conserving their limited 'political' capital. They know that their less honest colleagues have little to fear since their 'services' are valuable for the ruling party. As for themselves, they are only too vulnerable to the assaults of the 'radical' sharp-shooters in their party. All this contributes to aggravating further the diseased state of the government in which little moves except when propelled by unwholesome influences or pressures. Meanwhile, large capacities in industry remain unutilized or are utilized only with great difficulty or against odds. New projects are delayed or frustrated. With every obstacle thus created for the industrial development of the country, the feeling grows stronger that nothing functions or can function in the government in a normal or legitimate manner. This further accentuates the state of corruption in which the government acts or behaves in its relations with trade or industry. It is not easy to foresee an end to all this. A slender hope however remains. Perhaps more thieves will fall out more often in high places. This is a prayer and it should not remain a dream.

Soaring small savings

AT A recent press conference in the capital, Mrs Sushila Rohatgi, deputy minister in the central ministry of Finance, exhibited great satisfaction over the hat-trick in net collections of national small savings in the triennial ending in 1972-73. The increase in collections from Rs 188 crores in 1970-71 to Rs 227 crores in 1971-72 and further to Rs 351 crores in 1972-73—a new peak in each year — was hailed by her as an achievement of a high order. On the face of it, the rise of almost 87 per cent in net collections of small savings in two years was indeed no mean gain but a detailed analysis of the structure of small savings showed that all this success was not entirely due to the increased popularity among individuals of "saving schemes to suit different pockets and habits". In fact, a large share in the increase of small savings was due to institutional investments. For example, in 1972-73 as much as 51 per cent of the net collections was from institutional investors such as the provident funds which have been permitted to invest up to 30 per cent of annual accretions in small savings. The contribution of the small savers whom the National Savings Organisation (NSO) has wooed for more than two decades was no more than 49 per cent.

The saving habits of the people and the different sources of national savings in this country formed the subject of a study by the National Council of Applied Economic Research (NCAER) sometime back. The NCAER also scrutinised the small saving schemes and the estimated share of the individual savers in them. The NCAER computed that the contribution of the individual savers to small savings was as low as Rs 28.32 crores in 1950-51 and had increased to Rs 87.85 crores in 1961-62. The savings of individuals improved further to Rs 172 crores in 1972-73. In other words, savings of individuals in this country through the small savings schemes almost doubled themselves in 11 years. Surely this was a more modest rate of growth than the one registered by total small savings during the past three years.

The small saving schemes of the NSO have to compete with a number of equally lucrative deposit schemes of commercial banks and liberal dividend-yielding corporate securities. At present, dividend income from investments in corporate securities, interest on deposits with commercial banks and dividend received from the Unit Trust of India are exempt from income tax up to Rs 3,000 a year. A person who has already made investment in these institutions and is currently earning about Rs 3,000 from them will certainly be in an advantageous position if he made additional savings through any of the small savings schemes of the NSO all of which are exempt from income-tax. But surely the number of such individuals is not very large. However, if an individual's earnings from these sources are below the stipulated level of Rs 3,000 a year, he would certainly think twice before going in for any of the schemes of the NSO because of the non-business like attitude of the personnel at post offices. The lack of interest shown by postmasters in soliciting savings has been a major factor in keeping the rate of growth of small savings from individuals at a low level. This position has been corrected somewhat only recently by providing some incentives to postmasters in rural areas. How far these inducements will bring about a change in the behaviour of the postmaster has yet to be seen.

Quite a part of the savings of individuals in this country is invested in the purchase of precious metals which are considered to be a safe hedge against inflation. The investment in small savings as well as in bank deposits has so far proved to be a poor safeguard against the erosion in purchasing power of money due to rise in prices. For instance, a deposit of Rs 100

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At a time when the country is in the grip of a serious food crisis and near famine conditions prevail in many parts of the country, we are naturally preoccupied with short term measures to stave off the immediate peril, and the question of evolving a long term food policy may appear somewhat remote and academic. Yet it would be tragic if even the magnitude of the present food crisis fails to open our eyes to the extreme precariousness of the foundation of our food economy. We are glad to note, therefore, that the Central Government, in the midst of its pre-occupation with the short term problem, has decided to appoint a committee of officials and non-officials to prepare a long range food policy. In the face of the rapid growth of our population and the heavy and increasing pressure on the soil our food position has been steadily deteriorating recently and the supply of food has been unable to keep pace with the growth of our population. India, indeed makes, a very poor show judged by the nutritional standards set by dieticians, but even on the basis of a moderate standard, it has been calculated that we are deficient in food supply for about 63 million persons.

five years ago in the fixed deposit account of a post office would have yielded today a total sum of Rs 125. As prices in this period have risen by about 35 per cent, the purchasing power of the rupee has been reduced to two-thirds and the depositor has been worse off for having put his saving in this account. This is perhaps the chief reason that this movement has not made much headway among individual savers though the unhelpful attitude of postmasters and postal staff is also a major factor. Quite a large number of individuals in this country continues to invest in gold and silver whose value continues to appreciate along with rising prices. The deposits in commercial banks also provide no protection against depreciation in value of money due to price inflation but the branch managers of banks have been trained to solicit deposits by being helpful to depositors. They are known to be less fussy than the postmasters at the time of withdrawals.

And yet the small savings movement has been able to gather some momentum year after year. There are four reasons why it has been able to make some progress over the last two decades. First, it attracts savers who are keen about the security of savings and feel very safe with the small savings schemes as they have the backing of the government of India. Second, there are some rural areas where the commercial banks have yet to open their branches while a post office already exists there. The individual savers in these areas have no choice but to avail of the facilities made available to them. However, in rural areas which have post offices and where the commercial banks have opened their branches, the latter are able to score over the former through a superior strategy in soliciting new business and providing services which the post offices are not in a position to offer. Third, in some states the officials are asked to mobilise funds for the savings scheme and they go out of the way to compel people for putting their savings in the small savings schemes. Lastly, the recent steps taken by the government in mobilising the services of women social workers and university students have shown some good results. More than 2500 women workers and about 3200 students are already engaged in this work.

The security-wise analysis of small savings collections in 1972-73 showed that the collections under "post office time deposits" and "post office savings bank" constituted the bulk of the collections. The collections under "cumulative time deposits" and savings certificates constituted only a small fraction of the total savings. The post office is the pivot of the small savings movement in this country. As stated above, it plays a key role in those rural areas where the commercial banks have still to make an entry. The scheme to make the postmasters get involved in the small savings movement is indeed ingenious; a small incentive may be helpful in enthusing them to take more interest in it.

A historical study of small savings collections from 1951-52 onwards has shown that net collections as a proportion of national income have always been less than one per cent. In 1960-61, this proportion was the highest at 0.8 per cent and since then it has ranged between 0.4 per cent and 0.7 per cent. In quantitative terms, savings under this head have grown year after year primarily because of the institutional support. As shown earlier, the share of the individual savers has been relatively small. It is high time that the government instituted a detailed enquiry so as to ascertain the motivation of the individuals who did opt for small saving schemes. It would help the government to direct its publicity at those sections of society which are most likely to avail of the savings schemes of the NSO. Again, it is claimed that at the end of 1972-73 the national small savings accounted for about 22 per cent of the total internal debt of the country. It would be instructive to know as to what proportion of it was held by individuals. There is a feeling in this country that a large proportion of it is held by institutions and the so-called small savings schemes of the NSO have failed to perform their true function of mobilising the small savings of people from all walks of life.

Squeeze on leather exports?

THE INTRODUCTION of quota system for exports of semi-processed hides and skins with effect from April 1, 1973, and the banning of exports of raw hides and skins, except lamb fur skins (raw and pickled), from January 20, 1973, ostensibly make sense. The two steps, taken by the central government in pursuance of the recommendations of the Seetharamiah Committee on the development of leather industry in the country, aim at encouraging exports of finished leather and leather manufactures, instead of those of raw and semiprocessed materials. The idea is to increase the "added value" of these exports and thereby raising their unit value. The quotas for the current financial year are proposed to be fixed at 80 per cent of the last year's total exports of East India and chrome tanned cow and buffalo hides and 90 per cent of the exports of East India and chrome tanned cow calf, buffalo calf and sheep and goat skins.

Though well-intentioned, the imposition of quotas on exports of semi-processed hides and skins, however, has come at an inopportune time. This is because of two reasons. First, there is currently worldwide shortage of hides and skins which could be taken advantage of by our exporters. Secondly, the infrastructure for exporting finished leather and leather goods has yet to be strengthened a great deal.

According to the Chairman of Leather Export Promotion Council, Madras, Mr T. Abdul Wahid, the 10 per cent cut in exports of goat skins alone would mean a loss of business to the extent of nearly eight crores of rupees. The retention of nearly four million goat skins within the country is expected to prove burdensome in the absence of adequate facilities for fully processing and finishing them to the requirements of foreign buyer. The lack of these facilties, therefore, can be expected to stand in the way of raising exports of finished leather and leather products in spite of the fact that a good deal of interest is being shown by various countries of the west for these exports from here, particularly those of shoes and ladies handbags. It is pertinent to recall in this connection that the Indian standards of processing and finishing hides and skins were not fully acceptable till lately even to some of the east European countries, with the result that technical collaboration had to be arranged with one of them for a project of processing raw hides and skins to the standards required by the east European nations.

The industry, of course, is not averse to progressively reducing exports of semi-processed hides and skins, provided efforts are made simultaneously to build up facilities for processing them into finished leather and also for expanding the manufacture of leather products. The exports of raw hides and skins, for instanec, were curtailed by it from Rs 8.31 crores in 1969-70 to a bare Rs 66 lakhs in 1971-72. The Seetharamiah Committee too has stressed this point. Taking action on only a part of this committee's report, concerning progressively restricting of exports of raw and semi-processed hides and skins, and not at the same time deciding on its constructive suggestions for building up

infrastructure of the industry ... doing not only damage to trade but also exports. It is feared that the total exports of hides and skins along with the exports of finished leather and leather products this year may suffer a setback from the last year's aggregate of nearly Rs 200 crores. Thanks to rise in unit value, reflective of the global shortages, these exports last year were nearly 100 per cent more than in the previous year.

The most important recommendation of the Seetharamiah Committee for building up the infrastructure for exports of finished leather and leather products is that a cash subsidy to the extent of 15 per cent should be given against these exports. The subsidy may be accumulated over a period of five years and disbursed on the production of documentary evidence of the steps taken for putting up the necessary infrastructure in the form of modernisation and expansion of the industry. In case the exporters take loans (or have already taken loans) for setting up infrastructure facilities from the nationalised banks or other financial institutions, the cash subsidy may be disbursed/adjusted against these loans. The government has preferred not to accept this recommendation because it thinks that it does not fit in with the prevalent concept of cash assistance for export promotion.

The government instead is considering a proposal for setting up of a leather export development corporation which will devote its energies to devising schemes for making available credit to entrepreneurs for the establishment of new capacity for the manufacture of finished leather and leather goods. This proposal, however, is understood to have run into difficulties because of a controversy over whether the development corporation should be set up under the aegis of the ministry of Industrial Development or the ministry of Commerce. As a result, the building up of infrastructure for exports of finished leather and leather goods is bound to receive a setback.

The worst sufferer, till the proposed leather export development corporation is established, will be the small-scale sector. With a view to helping this sector, the Seetharamiah Committee had called upon the state industrial development corporations and the leather export promotion councils at Madras and Kanpur to take initiative for setting up finishing centres especially in areas where there is concentration of small-scale units. The role of the two existing leather export promotion councils in this regard should be affected to some extent for the time being at least, since in accordance with the suggestion of the Seetharamiah Committee, a small body has been set up to draw up the memoranda and articles of association of a new export promotion council for leather in place of the two at Kanpur and Madras. Amongst the state governments, only one — Andhra Pradesh — has shown some interest in performing the task suggested by the Seetharamiah Committee.

The only constructive suggestion of the Seetharamiah Committee which has been accepted by the government so far, and that too with some modifications, is that the import replenishment for the exports of EI chrome leather may be restored to three per cent and that for wet blue chrome leather should be reduced from six to three per cent with a compulsory provision that 50 per cent of this replenishment should be used only for the import of machinery, tools and equipment for balancing, modernisation and authorised expansion. The modification effected by the government in this proposal is that at least two-thirds import replenishment entitlement should be used for the import of machinery, tools and equipment. On the other hand, the government has yet to take a decision on the raising of air freight subsidy for leather footwear exports from 10 to 15 per cent of the f.o.b. value of exports, as is the case with exports of finished leather. The grant of some concessions for research and development effort in the leather industry too will have to await the setting up of the leather export development corporation. Action is also yet to be taken on the Seetharamiah Committee's recommendations regarding certain fiscal levies, including the exemption of the footwear manufactured in the small-scale sector from excise duty.

In the circumstances, the objective of boosting exchange earnings from exports of finished leather and leather products may not be achieved in the near future. The introduction of quota system on exports of semi-processed hides and skins, on the contrary, will result in reduced earnings from this source. If the overall exports of leather are not to be allowed to dwindle, an expeditious decision on the Seetharamiah Committee's recommendations for building up infrastructure facilities for the leather industry is called for.

A look at the industrial relations scene

B. TULPULE

AN ESSENTIAL prerequisite of sound industrial relations based on effective collective bargaining is a degree of parity in bargaining strength in the two sides. If there is a preponderance of bargaining strength on one side in relation to the other, that side can, and therefore normally will, impose its will upon the other side on every issue in dispute. This disparity, moreover, will feed upon itself, each instance of imposition of the will of one side upon the other making the latter less able to resist such imposition in subsequent disputes.

Effective collective bargaining is basically a pressure process. It is true that this pressure may not take the actual form of a work-stoppage at each stage or on every issue in bargaining. It is also true that pressures other than work-stoppage — such as reasoning, precedent, established norms or principles accepted as public policy by society — also have a certain amount of efficacy in the bargaining process. But the ultimate form of pressure when other kinds prove ineffective in clinching a bargain, i.e. resolving a dispute, is the possibility of work-stoppage. The ability of either side to exert pressure at the bargaining table is, therefore, in the ultimate analysis, its ability to face a work-stoppage. Even at the stage of bargaining prior to a work-stoppage, the very possibility of it if the parties cannot reach a bargain, and their perception of their relative ability to face it, influence their behaviour during bargaining.

ambivalence in policy

In our country there has been a well-recognized ambivalence in public policy in the field of industrial relations and collective bargaining. There is, on the one hand, professed faith in collective bargaining as the most effective system for developing sound industrial relations. There is, on the other hand, a deep-rooted reluctance to recognize that work-stoppage by either side is the ultimate sanction in collective bargaining and that devoid of this ultimate sanction, collective bargaining becomes unreal. The reluctance to recognize the essential nature of the bargaining process has given rise to elaborate legislative and administrative devices to restrict the freedom of the parties to resort to the ultimate pressure. There are no doubt various cogent arguments in favour of thus restricting the parties' freedom to resort to work-stoppage. The fact, however, remains that these restrictions do not help promote effective collective bargaining.

The real ambivalence of present policies in this area lies not so much in these restrictions upon the freedom of work-stoppages, as in the reluctance to enforce them for fear that they may inhibit collective bargaining. Thus, we neither get the benefits of a self-reliant system based on free collective bargaining, nor those of a regulated system based on prompt and effective state intervention and suppression of overt conflict—dubious as the latter benefits may be.

affect on public sector

This ambivalence of approach affects industrial relations in the public sector more than in the private sector, because the managements in the private sector can, at least so far as their own policies are concerned, make a choice between these alternatives and plan their own behaviour *vis-a-vis* their employees accordingly. They can either accept, by and large, a collective bargaining approach and build up their own bargaining strength adequately to make it effective, or they can mainly depend upon government intervention, conciliation, adjudication, etc. They can at least build their own approach and style on a deliberate choice. Public Sector managements, however, find ambivalence built in their industrial relations systems. They dare not push the collective bargaining process to its logical extreme of work-stoppage even on issues on which they are convinced that they have made more than fair offers in good faith for a settlement. On the other hand, they cannot lean much on the legal and administrative processes for fear of being branded as anti-collective bargaining.

bargaining strength

Lest this thinking about industrial relations is misunderstood to be a plea for a "free-for-all" between labour and management, I would hasten to add that industrial conflict is not minimized by constant leaning on law and state nor by either side showing a tender-minded anxiety to avoid conflict at all costs. Experience in our country as elsewhere is that conflict is minimum and industrial relations are sound where each side is aware of and has a healthy respect for the bargaining strength of the other side as indicated by its ability to withstand the ultimate pressure, the pressure of a work-stoppage. This is also the best guarantee against the management not imposing gross inequities on the workers as also against the workers and their organizations not holding the management to ransom over exorbitant claims.

Industrial relations at the Durgapur Steel Plant are far from healthy. Work-stoppages in pockets are common; worse form of coercion like gherao and physical threats of violence are not uncommon; agreements over disputed issues are long and difficult to arrive at and are not fully honoured after they are concluded. Elementary discipline in matters like attendance hours and absence without leave is often disregarded; there have even been occasions when groups of workers have been found to cook meals inside the shops, work performance standards are generally poor and management instructions regarding work are often defied; there is continuous pressure for increased manning, upgradation, overtime, and higher incentive payments even at the present level of output; no objective norms or yardsticks exist or are accepted for resolving

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Mr. Tulpule is the General Manager of the Durgapur Steel Plant.

disputes over these issues. Inter-union rivalries are acute and aggravated by party political factionalism and hostilities. Labour laws, standing orders, even agreements are difficult, if not impossible, to enforce; inter-group relations are fraught with distrust; changes, technological or organizational, are very difficult if not impossible to introduce regardless of their merits; sense of belonging is conspicuously absent; last, but not least, managers individually and management collectively often feel helpless to deal with these ills and abuses.

salient features

A closer study of this situation would reveal the following salient features:

There is no effective framework for collective bargaining since no one union can effectively represent the large majority of workers, negotiate and enter into agreements and ensure that workers will honour such agreements.

Management adopted the approach of trying to find ad hoc solutions to various demands put forward by the unions without getting the unions to agree to any objective system of yardsticks or measurement, on manning, upgradation, incentives, etc.

Because of the two features mentioned above, the process of negotiations and discussions has become exceedingly slow causing frustration and irritation all round. This is sometimes aggravated by the less-than-adequate understanding, and consultation between the personnel department and the line managers.

There is an impression that the only way to draw serious and prompt attention to a problem is to precipitate a crisis over it.

Middle and even senior managers are usually reluctanct to take a firm stand in the face of unjustified pressures by workers for enforcing work-norms or discipline. This is due to:

An attitude of non-involvement and play-safe.

A feeling that top-management will not back up a firm stand if it leads to industrial conflict and causes loss of production.

Fear of damage to plant and equipment due to wild-cat work-stoppages.

Fear of physical violence.

Ignorance of laws, rules, their own powers, basic concepts and skills of personnel management, etc.

There is very little effort to look out for emerging problems, anticipate them, maintain communications with known floor-level leaders of workers and find solutions to problems before they escalate to the pitch of crises. There is, in fact, no formal frame-work for continuous and earnest floor-level consultation with workers.

There is an aversion on the part of unions to get involved in and play a role in any positive devices like grievance procedures, floor-level committees, suggestion schemes. safety committees, etc.

Workers have been accustomed to forcing various kinds of concessions from management by resorting to pressure action on the shopfloor and, hence, have no use or patience for the supposedly slower processes of collective bargaining. Since floor level pressure has yielded concessions in the past, there is no sanctity attached to collective agreements.

There is perhaps also a feeling on the part of managemnent that unless we continuously go on extending higher and higher benefits to workers we may be called reactionary and anti-labour.

unions' angle

Let us try to look at the picture from the side of the unions. There was perhaps a stage many years ago when the workers felt that the right of the workers to determine their own bargaining union was denied to them. Rigid rules and procedures and lack of collective bargaining traditions in the public sector in the early years may also have been irksome to workers. Later, in a political climate which gave a more-than-free play to the aggressive urges of politically involved trade unionism, the workers found that they could generate various kinds of pressures, both industrial and physical, not to speak of political against management. They found, further, that management had no clear convictions or strategy to counter such pressures and tried to deal with them on an ad hoc basis instead of evolving a comprehensive institutional and normative framework of collective bargaining. It is noteworthy that no major confrontations between management and workers took place over major issues like wages, hours of work, retirement benefits, incentive principles and so on. On the other hand, in ad hoc, sporadic confrontations over issues like manning, upgradation and overtime, workers found that they could usually force concessions from management by threatened or actual work-stoppages and physical duress in the form of gherao. In this climate workers naturally keep on pressing the unions for more and more concessions. Under these pressures and in the face of the known weakness of mangement to resist sporadic work-stoppages on the shop floor, it is difficult for unoins to behave with responsibility.

an oversimplification

To reduce the whole problem to the single question of parity of bargaining strength would, of course, be an oversimplification. Other problems which are internal to management have also to be recognized. There is a widespread feeling that the management has no definite and consistent industrial relations policy at all. The HSL's emphasis on inter-plant uniformity and on a highly intricate incentive system developed by outside consultants has also hampered the initiative and manoeuvrability of the management in dealing with the specific claims of workers. The effectiveness of the personnel department and its relation with the line management as a whole are also to be further improved. The administrative process within the organization as a whole depends excessively on paper work and not enough on inter-personnel communications and consultation among different departments or at different levels in the same department. There is a general inclination to look the other way when some improper or undesirable practices are known to exist in some areas. The time factor in processing of all problems is unquestionably long. This organizational environment is not conducive to the development of a healthy industrial relations climate.

All the same, it must be asserted that whatever is done on the above points will by itself be wholly ineffective unless the basic disparity, real or perceived, in the bargaining strength of the two sides is rectified. Unless the managements is able to show that it has the strength to withstand pressures of various kinds intended to force unjustified concessions, that it has the ability as well as the will to enforce at least the basic discipline within the organization and to take and implement decisions in the best interest of the organization, it will not be able to prevail upon the unions to take a genuine pro-

blem-solving attitude, Whatever streamlining the management does internally will not by itself materially influence the attitude of the workers or the unions. The critical factor in the total situation, therefore, is the parties' perception of their relative bargaining strength.

errors and omissions

It is fashionable today to blame poor industrial relations on "management lapses", whatever that may be; nor may it be denied that certain errors and omissions in the early stages may have contributed to a general situation of distrust, confrontation and semi-anarchy. However, there is today a genuine willingness among the management to accept and operate an effective collective bargaining system and to give a fair deal to employees judged by any objective norms. The management would even want to involve the workers and the unions in a more direct and extensive way in all the aspects of the operation of the organization provided the basic readiness to get so involved in a positive way is forthcoming from the unions. There is no reason for the management to be apologetic, for it accepts without reservation all the present-day precepts and standards of fair labour practices. But all these cannot become meaningful unless the management also has the strength to withstand illegitimate pressures.

Based on this analysis of the situation, the directions in which the management can act are clear enough. In the positive direction the management has to work for an institutional framework in which it can carry on the dialogue with all the organizations of workers over issues not only involving disputes but also involving the operation of the plant itself. The management has also to streamline its own policies and practices so as to make such institutional framework operationally effective. To help achieve this, the management has to insist upon the formulation and acceptance of some objective yardsticks or measurement systems to deal with disputes regarding upgradation, manning, incentive, overtime, promotion, etc. The recent tripartite agreement creating a three-tier framework for such continued consultation is intended to serve this purpose.

On the negative side, to make the abovementioned, institutional and normative framework effective, the management has to refuse to submit to sporadic pressures through work-stoppages, gheraoes, etc, intended to force concessions from the management without processing the issue through the institutional framework.

For some time past the management has been trying to follow this strategy with determination and with same success. It of course needs support from the HSL as a whole, the state government as well as the central government to enable it to stick to this strategy. Further, since this strategy, to begin with, will have to break down long-established attitudes and habits of behaviour both among the workers and the unions on the one hand and the managers on the other, it will only make slow progress and will involve occasional conflicts on the shop-floor, resulting in loss of production. This has to be accepted as part of the price to be paid for bringing about the change in the total industrial relations climate. Even without this strategy production losses will still take place as has been the experience of the past leading only to greater anarchy.

Accepted as part of a deliberate strategy, we could at least hope for a healthier and more equal relationship in the future as compensation for the immediate loss of production. The DSP management will, however, not be able to stick to this strategy if because of the immediate loss of production, pressures start building upon it to go back to the old style of ad hoc compensation and compromises to give the appearance of continuity of operation of the plant.

genuine trade-unionism

What has been outlined above is in no way a "get-tough" style or an anti-labour attitude. It is no part of genuine trade-unionism to continuously keep up a climate of industrial conflict and low productivity; nor is it any part of genuine trade unionism to enteri nto agreements without having the intention of honouring them. What is more, these tactics by the workers and the unions might appear to make some immediate gains for some groups of workers who are strategically placed inside the plant. They, however, do not do any good to the totality of employees in the organization. If anything, they do harm through continued low productivity and a stagnant plant.

Through sporadic pressures the unions are perhaps able to force the management to upgrade a few hundred workers or to recruit a couple of hundred additional persons; however by creating a condition of stagnancy these tactics preempt the employment of several thousand persons in the steel-consuming industries and also within the DSP itself when it expands.

To the totality of the workers of the DSP as well as those who could be working in the DSP and in the steel-consuming industries, the earlier policy of management and the style of the trade-union behaviour has spelt only disaster and ignominy. By following a more consistent, firm and fair policy, the m nagement will be breaking the present stagnation and opening up the ways for expansion of the plant, for a fairer deal to the non-strategically placed employees and also to the industrial growth and larger employment opportunities in the community at a whole.

—Reproduced from *Growth*, **Vol. No. 2, January 1973, Journal of the Management Training Institute, Hindustan Steel Limited, Ranchi.**

The problem of delayed payments

V. BALMOHANDAS

PLANNERS, GOVERNMENT and economists have recognised that small-scale industries have a vital role to play in the nation's industrial development. In view of their low capital requirements, a higher rate of growth, high employment potential and resilience, these industries, it is felt, should form an integral part of the nation's strategy of industrial development. A recent feature of the development of small-scale industries is that they (small industries) are being moulded into ancillaries to the large-scale industries. A large firm may not effectively utilise a particular tool or component which enters into its product. Other la-ge firms may need similar tools and components. A relatively small outside firm which specialises in some of these ancillary items and sells them to several large firms who require them may be able to benefit more from economies of scale in its narrow specialised field than can one of the large firms which undertake to make the item for itself in an independent way.

mutual dependence

Mutual dependence of large and small-scale industries strengthens the industrial structure of the country. Japan stands as a testimony to this fact. As many as 50 per cent of the total number of small enterprises in Japan are engaged in sub-contracting. In terms of production, sub-contractors or ancillaries account for 17 per cent of the total production of large-scale units in the manufacturing industry.

In view of the shortage of capital, skills, finance and other inputs, this system is undoubtedly suited for underdeveloped and developing countries. Of late, the role of ancillaries has been increasingly recognised in this country by the government and public and private enterprises. The ministry of Industrial Development and Internal Trade has directed the public undertakings to take all possible steps to promote the growth of ancillaries. Though the progress of the ancillaries has been satisfactory in some sectors, many problems act as stumbling blocks in the growth of small-scale ancillary units.

One of the most important problems confronting small industries is the delay in the payment of their bills by government agencies and large and medium industries. Large and medium industries, as a matter of deliberate policy, defer the payment of bills. The temptation of keeping bills in abeyance for supplies received is spreading even to the public sector units in addition to the private sector industries. The usual condition stipulated by large buyers is that payment would be made within 60 days of inspection of the delivered goods. But virtually no large unit is willing to give an undertaking to pay within 60 days. They generally defer the inspection also.

bullying the weak

The main reason for delayed payment is the ability of the strong to bully the weak. Small-scale industrialists fear that if they are too insistent about timely payment of bills, large buyers might return a portion of the supplies, after consuming a part, as defective and call for a revised bill. The consequence of this delay in payment of bills is that while the nationalised banks extend credit to small industry on a priority basis, such credit is being siphoned off by large-scale industry. Mr G.B. Newalkar, Chairman, Maharashtra Small Scale Industries Development Corporation, has rightly said: "It is not the large-scale industrial sector that is in any way assisting small industry; rather it is small industry that finances large industry."

As early as April 1971, the Reserve Bank of India constituted a committee to study the problem of payment of bills by large and medium industries and government agencies in respect of supplies made to them and to work out suitable arrangements so as to ensure speedy settlement of claims. But the response to the enquiries of the committee from both the large and medium industries which purchase products from small enterprises and also from small enterprises was far from satisfactory. The committee opined that the problem of delayed payments does exist and that it is acute at any rate in respect of the responding units. According to the committee of the total receipts on account of credit sales by 445 small-scale units to medium and large industries, about two-thirds of the amount was received after the due date. Nearly 46 per cent of the amount was received with a delay up to three months after the due date, 13 per cent with delay of three to six months and about three per cent with a delay of six to twelve months and the balance with a delay of over one year.

similar pattern

The analysis made by the committee also revealed that the pattern of receipts from government departments/public sector undertakings was broadly the same as was witnessed in respect of medium and large industries in the private sector. In contrast with this situation, any application by small-scale units for the supply of raw materials is required to be accompanied by an advance payment of a certain percentage of the cost of material indented for, and it would take a long time for the government to supply the materials or for the units to be told that the particular material was not available.

The large and medium industries complain that the delay in payments is due to negligence on the part of the small industrialists themselves. They say that the small industrialists supply goods of inferior quality, do not adhere to the supply schedule, and do not take adequate care in the submission of relevant documents such as invoices and bills. While a part of the above criticism is true, the major responsibility for the delay in payment of bills lies with the large industries. In the case of the government departments and public sector units, governmental procedures covering payment to suppliers and more particularly the manner of their im-

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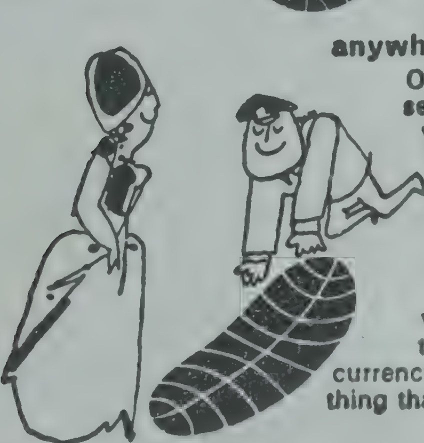

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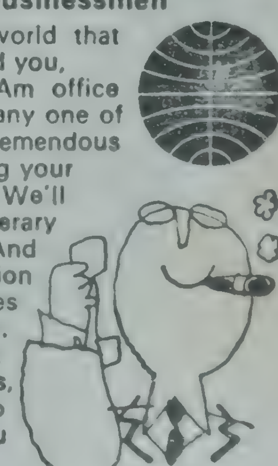

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plementation are important factors for the delay.

The committee found that a major portion of credit sales of small-scale industries is at present financed under the 'open account' system. The committee has suggested that the conversion of credit sales into bills will not only expand the volume of credit provided by banks against receivables but also ensure financial discipline on the part of buyers and borrowers. The merit of this system lies in that banks will be in a position to discount these bills under the new bill market scheme of the Reserve Bank of India.

The committee recommended that government should consider the scope for the reduction of stamp duty on such bills until such time as these bills attained a measure of popularity. The committee advised small-scale industrial units to pay greater attention to the quality of goods manufactured by them and adhere to the supply schedule prescribed by the buyers. It is felt that ther is a good deal of scope for the units to avail themselves of ISI marking facilities in the manufacture of final products as well as components and spare parts. The state governments and other promotional agencies have been advised to set up laboratories for facilitating the testing of products of small industries on reasonable terms. The committee recommended that banks should not finance large industry against unpaid stocks and that they should in fact deduct the value of the unpaid stocks from loan limits. though this recommendation was hailed, it was not implemented by the banks.. The banks have huge resources and are chasing large accounts or allowing themselves to be manoeuvred by big companies into sactioning liberal loan limits at reduced interest rates.

Without any sincere effort on the part of the government to set right the delay in payments to small industrialists, other promotional measures are meaningless. Increased orders from government departments, public sector units and large and medium industries will be meaningful and really promotional only when small industries are ensured that their bills will be paid on due date. There is imperative need for follow-up action to the various recommendations of the Reserve Ba[nk] committee. Some small industrialis[ts] complained that those of them who had [a] reasonable profit on their balance-shee[t] had no money to pay even income-ta[x]. In order to meet this liability they had [to] borrow. Their profit was only on pap[er] and it lay blocked with large customers.

This problem of delayed payments fro[m] parent units to sub-contracting unit al[so] appeared in Japan in the early stages [of] the development of ancillary units. [A] law entitled "Prevention of deferment [of] payment to sub-contractors" was enact[ed] in 1956 which lays down the acts fro[m] which parent enterprises must refrain wh[ile] dealing with sub-contractors such as d[e]lay of payments of bills beyond a specifi[ed] time-limit undue reduction of price, unreasonable refusal to accept produc[ts] of sub-contractors. The government [of] India would do well to enact a similar la[w] to save the small ancillary units from t[he] malpractices adopted by the large a[nd] medium industries and government age[n]cies.

Role of audit in public administration

Paresnath Chattopadhyay

In the context of the new trends in government audit, one is often led to ask, should the old order change yielding place to new or should they coexist, albeit not so peacefully? Traditionally government audit has meant examination of accounts reflecting the receipts and expenditure or profit and loss, and state of affairs over a period of time and at a point of time. In fact, the entire premise of audit traditionally owes itself to this need not only in government or public administration but also in business and industry. Such examination of accounts has invariably meant a post-mortem analysis of receipts and expenditures which have already taken place. A post-mortem analysis of accounts has remained impotent against preventing certain expenses from taking place and certain actions from being taken. The concept of preaudit has had a rather limited focus, centred, as it is, on vouchsafing the propriety of expenditure beforehand. The action points in public administration have been the executive working under stated delegated authority for expenditure, recruitment of staff, creation of posts, etc. The ministries in the government and the departments under each ministry have all been subject to this kind of post-mortem examination for a long time, and in a limited way, pre-mortem focus on expenditure. The role that audit has played so far has been that of an observer occasionally raising its voice against expenses not borne by sanctions, often the sanctioning and spending authorities having been the same. In such conditions, audit has remained stale and routine. Obviously, almost the entire focus has been on the regularity of expenditure.

Outside scrutiny by other wings such as audit has not been taken very kindly by the spending authorities; there is ample evidence to show this kind of attitude, including the tussle between the Finance minister of India and the Comptroller and Auditor General of India on the question of audit of the Life Insurance Corpo[ra]tion of India. The traditional role [of] audit in public administration has b[een] the subject of a long-drawn controver[sy], often a tug-of-war, between the au[dit] department and the ministries and ot[her] departments of government. In In[dia] since 1947, we have a fairly cheque[red] history of audit by the Comptroller [and] Auditor General of India. The roles t[hat] the audit department has been playing [in] the context of growing responsibili[ties] undertaken by government to init[iate] rapid economic transition from the mo[...] of underdevelopment to the status [of] developed nation have grown both [in] terms of purview and depth.[1] A la[rge] number of functional agencies have b[een] created by government since indep[en]dence. Expansion has taken place of ministries and departments of the gove[rn]ments at the centre and in the sta[tes]. More than four hundred governm[ent] companies have been functioning in [the] country, some of which have been q[...]

...ld. In addition, there have been a large number of public corporations established by enactments of Parliament. These are apart from the departmental enterprises entrusted with various activities under the administrative control of different ministries and departments of central and state governments.[2] All this has underscored the composite character of audit in its roles as a pusher rather than a puller of the growth engine from behind.

...xtended activities

The extended purview of the government and various spending authorities have also spelt a corresponding expansion of the purview of audit excepting in those cases where deliberately audit by the Comptroller and Auditor General has been voted out. All these extended activities and agencies have spelt that the traditional role of audit against vouchers would not be adequate. This is so because apart from other reasons audit should not come in the way of economic development of the country while, at the same time, certain sanctity in the form of seriousness of purpose, appreciation of the new role of the government and a professional, streamlined approach should underline the work of audit. This new trend in audit scrutiny has been noticed by me elsewhere.[3] In the new context, audit is expected to play a much bigger and a highly sophisticated role than that of a benevolent watchdog.[4] The tasks of audit have become not only heavier but also multi-pronged.

Audit itself have become a genus ...ving several species of somewhat like characteristics. Off-hand, the following species are heard of and dealt with in different contexts. Among the audit species, financial or propriety audit appears to be the oldest. The audit by outside professional auditors in the cases of companies as required under the Companies Act has been essentially financial audit seeking to safeguard the interest of investors and other concerned public such as creditors and employees. Internal audit, though centred on financial audit, is internal to the organisation, seeking to help the higher echelons of management in establishing propriety of expenditure and suitable internal checks against fraud, misfeasance, etc. Among the new species, the concept of social audit was highlighted mainly by George ...yder in his book, *The Responsible Company*. In our country, a lot has been talked and heard about social audit in the context of social responsibilities of business. Management audit, on the other hand, is more sophisticated seeking to establish an audit system which is comprehensive enough to embrace the systems of management and the functions including delegation and decision making, departmentation and operations. Performance audit, efficiency audit, operational audit, technical audit, systems audit, audit by objectives, quality audit and decision audit are indeed very close to each other and lean on the operational aspects of the organizations including techno-economic, techno-financial and techno-managerial problems of the enterprise. Retail audit and shop audit are terms which are current in marketing literature for a fairly long time. In our country, the Audit Report (Commercial) conducted by the Comptroller and Auditor General of India involves a major part of these new names, particularly those centring on operational aspects of public undertakings as noted earlier. Decision audit, on the other hand, goes into the root of some of these questions on the premise that the operations of an enterprise are carried on in pursuance of the decisions taken by an organization since its inception. These decisions are taken by entrepreneurs, boards of directors, the general manager or managing director as the chief executive, the departmental managers in charge of different functions and the assistant managers under the departmental managers. If proper audit systems could be established to bring to light the modus operandi behind the decisions taken, lot of improvement could be effected, which would appear impossible otherwise. Decision audit is, however, still more talked of than practised.

certain propensities

Two questions arise in the context of audit's new role. First of all, it has become a matter of history that rapid economic development has inherent in it certain propensities. These are :

(a) Expenditure becomes wasteful.

(b) Decision making becomes a highly complicated process involving the application of modern sophisticated management tools and techniques.

(c) Qualities of anticipation require to be more and more sharpened and integrated into the decision making phenomena.

(d) The objectives behind the expenditure require to be more clearly stated.

(e) The facts of "collaborative creation" require much fuller play in the form of different hierarchies of planning and implementing agencies and a devoted transformation of the desires of the people into tengible and worthwhile work-programmes.

(f) Compartmentalized thinking inherent in the task of rapid development requires to be checked and directed to ways of integrated, wholesome action in the context of the fact that programmes or actions in one sector of the economy may have repercussion on another. This is a complicated task requiring deliberate and organized handling.

To be equal to these tasks, audit has undergone and is still undergoing certain fundamental changes in outlook, approaches and methods of scrutiny and examination of not only expenditure but expenditure programmes vis-a-vis performance actually attained.[5] When seen in terms of the totality of governmental action, the giganticity of this task on audit becomes apparent.

the new role

It becomes a moot question whether audit can afford to completely break away from its traditional role, from that of propriety of expenditure, to that of cost-effectiveness of programmes of economic administration. It is contended here that the new role of audit does not fully substitute its traditional task of vouching expenditure and reporting on omissions and commissions. The new role becomes additional to the former. This is stressed here in certain specific contexts. The kind of wastes and spoilages that has been taking place in areas calling for large sums of expenditure and noted from time to time in audit reminds one of the stark fact that these omissions and commissions have a deleterious effect; indifference at levels which generally remain out of focus should be brought to light. Instances are not very far to seek. A large number of public accounts committee reports and CAG's audit report civil and commercial have pointed out from time to time such facts as over-exposure of costly machinery to rain, wind and other natural factors before any action was taken by concerned executives. The implications here are that in the over-enthusiasm involved in rapid economic transition of the country, wastes, negligence and other human failures become rampant which, in a parliamentary democracy, can hardly be ignored side-tracked

or even soft-pedalled. The amounts involved in some of these cases have been sizeable indeed as noticed from the facts given in the appendices.

The second question is related to the task of defining objective of the government and behind each decision so that the task of audit by objective, the emphasis on the constructive aspects of audit, becomes more purposive and fruitful. It has been noticed over the period since independence that behind each individual action a number of objectives are thought of only nationally. Shifting from one objective to another has also been fairly common. In such a situation, the performance results are always shadowed by the fact that if commendable performance has been recorded vis-a-vis one objective it may not be so good vis-a-vis another. This question has arisen in the context of the social and commercial objectives involved in public sector enterprises belonging to different forms. Where there has been a mixture of commercial and non-commercial objectives because of the overemphasis on commercial objectives, neglect has been recorded as far as the non-commercial objectives are concerned.[6] The overemphasis on commercial objectives has been a result of the public glare given to them at the end of the year. Thus when an enterprise has been accused of having been in the red all the while since its establishment, it has been clearly forgotten that over 25 to 30 per cent of the total investment has gone into areas which, by definition, cannot earn profit. In some cases, the profits have arisen out of the investments made by government but in areas beyond the purview of government, mainly as "spread effects". Instances are of spatio-economic development in areas hitherto untrodden by entrepreneurs such as Rourkela, Bhilai, etc.

The activities generated in the ancillary sector or in tertiary activities have given rise to benefits to traders and small entrepreneurs. Such multiplier effects have remained untraced. Audit in its new role can go into this area and help calculating benefits on an agreed basis of quantification thereof. An example of the constructive kind of audit has been the Audit Report Commercial issued since the establishment of the Audit Board under the Comptroller and Auditor General of India in their reports for 1970, 1969-70 and 1970-71 It may be mentioned here that these reports have thrown up facts and details not known before and they underline implications that are indeed far-reaching in character.

Secondly, audit has broken away from the traditional examination of propriety of expenditure in such exercises as on Oil and Natural Gas Commission, National Buildings Construction Corporation Ltd. Hindustan Machines Tools, Indian Airlines, etc. In some of these reports, audit against objectives has been stressed in so far as the enterprises have not been taken to task for failure to show profit in areas in which they were not expected to show such profit and in areas in which quantification of results is next to impossible. Thus, new standards have been set in auditing in the context of activities like oil exploration, building up roads in border areas and in areas subject to different kinds of natural hazards, etc.

As the situation is, one can go on finding many inadequacies in the attempts of the Comptroller and Auditor General to size up the performance of individual undertakings or individual government departments. However, that it has broken away a great deal from the traditional path of auditing expenditure against sanctions is borne out in bold outline in several reports. What is more, some of these reports have not hesitated to bring out the strong points of individual undertakings in different functional areas wherever these undertakings have shown commendable performance.[7] One difficulty that has lingered on in such an attempt by the Audit Board under the Comptroller and Auditor General of India is that it is still not adequately equipped with multi-disciplinary expertise for do complete justice to the tasks. In t respect, the technical requirements audit of individual undertakings have be sought to be obtained by discussion w experts in individual disciplines, appointing such experts on the Au Board concerning individual undertakin and also by appointing professional st or by subjecting the existing staff professional training and education. T main problem here is that the technic requirements are of such varied natu and magnitude that preclude the appoin ment of permanent staff in each individu line of technical activity coming und the purview of audit.

References:

1. Cf. A.K. Chanda, *Aspects of Audit Cont* Asia, 1960, and N.N. Mallya, *Public Enterpr in India*, 1971.

2. For fairly uptodate information on th aspects, refer to *Commerce Yearbook of Pu Sector* 1972.

3. See *Eastern Economist*, May 7, 1971 a October 1, 1971, on Performance Audit and Au by Objectives respectively.

4. In this context, the growing emphasis efficiency audit has been ably dealt with by Lax Narain. Cf. *Efficency Audit of Public En prises in India*, Orient Longman, 1972.

5. Cf. Audit Report (Civil) and (Commerc since 1962. Some of the reports have been o high professional standard.

6. This fact has been noted by the CAG several reports.

7. This has been stressed by us in a review the Audit Report for 1969-70. See *Indian Mana ment*, February 1973.

Annexure

Number of Office in which Irregularities were Noticed

A. Civil Departments

1. Public Works Offices—
   - (i) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works
   - (ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders
   - (iii) Excess payments due to non-observance the conditions of contracts or non-provision of necessary safeguards in contracts
   - (iv) Splitting up of purchase orders
   - (v) Unauthorised financial aids to contractors
   - (vi) Delay in effecting recovery of security deposits from contractors and payment of contractors' bills
   - (vii) Arrears in maintenance and/or non-maintenance of initialaccounts or road metal, material-at-site accounts, etc.
   - (viii) Award of work on negotiation withoutexecuting agreement or issuing formal work order and before receipt of administrative approval 2
   - (ix) Othe irregularities

2. Treasuries and other Civil Offices—
   - (i) Non-observance of rules relating to the custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recordingof measurements, etc. 3
   - (ii) Securities from persons bandling cash and stores not obtained or, if obtained, not for the prescribed amount

(iii)	Store accounts not maintained properly and periodical verification not done	334
(iv)	Defective maintenance and or non-maintenance of log books of staff cars, etc.	155
(v)	Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanction	109
(vi)	Delay and/or-non-recovery of receipts, adverses and other charges, etc.	337
(vii)	G.P. fund accounts of Class IV staff not maintained properly	90
(viii)	Payment of grant-in-aid in excess of actual requirements	228
(ix)	Irregular maintenance of acounts records and non-finalisation of accounting procedure	41
(x)	Other types of irregularities	1,295

B. Departmental managed commercial and quasi-commercial undertakings:

(i)	Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works	2
(ii)	Extra cost to government due to rejection of lowest tenders or delay in accepting tenders	2
(iii)	Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts	3
(iv)	Splitting up of purchase orders	2
(v)	Non-observance of rules relating to the custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recording of measurements, etc.	9
(vi)	Securities from persons handling cash and stores not obtained or, if obtained, not for the prescribed amount	1
(vii)	Store accounts not maintained properly and periodical verification not done	20
(viii)	Local purchase of stationery in excess of authorised limits, and expenditure incurred without proper sanction	5
(ix)	Delay in recovery and/or non-recovery of advances, etc.	10
(x)	GP Fund accounts of class IV staff not maintained properly	3
(xi)	Other types of irregularities	85

ource: Report of the Comptroller and Auditor General of India for the year 1969-70 Central Government (Civil), 128—129.

Annexure II

Outstanding Objections

ature of objections	Number of items	Amount (Rs in lakhs)
A.—Civil Departments		
:) Want of sanctions to establishments or continuance of establishment	1,123	54.54
:) Want of sanctions to miscellaneous and contingent expenditure	3,271	3,25.62
) Want of sanctions to estimates of excess over sanctioned estimates	2,239	10,78.49
(d) Want of detailed bills, vouchers, payees' receipts, stamped acknowledgements or other documents	30,324	21,55.62
(e) Recoverable advances not recovered and adjusted within the prescribed period	24,971	1,29.82
(f) Want of agreements	1,251	[illegible]
(g) Non-recovery of overpayments or amounts disallowed in audit	549	5.32
(h) Irregularities in payments with reference to contracts	10	0.02
(i) Objections raised on ground of financial propriety	5	0.01
(j) Other reasons	18,734	31,25.18
B. Departmentally managed commercial and quasi-commercial undertakings.		
(a) Want of sanctions to estimates or excess over sanctioned estimates	39	7.36
(b) Want of detailed bills, vouchers, payees' receipt, stamped acknowledgements or other documents	139	30.14
(c) Other reasons	37	0.96

Source: Report of the Comptroller and Auditor General of India for the year 1969-70, Central Government (Civil), p. 126.

Annexnre III

Outstanding Objections

Nature of objection	Civil Departments		Commercial Departments/ activities	
	Number of objections	Amount (In lakhs of rupees)	Number of objections	Amount (In akhs of rupees)
Want of sanctions to establishment or continuance of establishment	161	1.93	2	0.01
Want of sanctions to miscellaneous and contingent expenditure	245	12.69	—	—
Want of detailed contingent bills	1,376	1,68.45	29	1.24.59
Want of payees. stamped receipts, vouchers, stamped achnowledgement and other documents	4,000	11,68.03	53	2,32.76
Recoverable advances not recovered and adjusted with-the prescribed period	888	1,10.20	—	—
Non-recoveries of overpayments of amounts disallowed in audit	183	1.25	—	—
Want of sanctions to write off of losses or irrecoverable amounts	1	0.01	—	—
Objection raised on grounds of financial propriety	3	0.21	—	—
Other reasons	787	18,01.17	2	10.00
Total	7,644	32,63.94	86	3,67.36

Source: Report of the Comptroller and Auditor-General of India for the year 1969-70, Government of West Bengal, p. 99.

The world money outlook today

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WINDOW ON THE WORLD

I

Production, Income and Employment

ONCE AGAIN the Societe Financiere Europeenne (20 rue de la Paix, Paris 2, France) has placed us all in its debt by producing its annual review of the world monetary outlook, which is backed by the resources and authority of the eight banks which own the Societe: these are the Dutch Algemene, Bank, Nederland N.V., the Italian Banca Nazionale de Lavoro, the US Bank of America N.T. and S.A., the Belgian Banque de Bruxelles S.A., the French Banque Nationale de Paris, the British Barclays Bank, the West Dresdener Bank A.G., and the Japanese Sumitomo Bank. Today I summarise the Societe's outline of the world money position.

Even though world economic conditions have changed in some important ways over the past six months, the problems still being faced are depressingly familiar. Efforts to restore and enforce stability in the international monetary arrangements are advancing—but still too slowly. Credible evidence of progress from the official discussions is nil.

An inflationary bias, especially evident among the industrial countries, persists. Indeed, an acceleration in costs and prices has, if anything, spread wider.

The major change in circumstances has been an elimination of, or reduction in, the high rates of unemployment and excess capacity which, in some countries, had been inhibiting adequate counter-inflationary restraints.

With virtually all industrial countries now in a phase of economic recovery, with varying degrees of strength and timing, the universal problem becomes one of successive "re-entry of the growth paths to sustainable long-term rates — without undue inflation and without the mistakes in timing and severity of restraint measures which might induce recessions.

Demand and output growth has accelerated in western Europe over the past six months. The rise in activity encompasses both those countries with previously lower levels of capacity utilisation such as the United Kingdom and Italy, and others in later stages of cyclical expansion. Thus, although disparities in real growth rates persist, there is more evidence of uniformity than usual. Not unrelated to the general pattern of increased demand pressures on productive capacity, but also because of closer economic ties between the countries of western Europe, price behaviour has become even less diversified than the rates of progress in production. Strong inflationary pressures extend over a wide front.

Investment expenditure has risen in response to anti-recessionary policy incentives in some countries and, in others, which were already in an advanced stage of boom, to capacity bottlenecks. Inventory accumulation has also been strong, in anticipation both of sustained high levels of business activity and future price increases. Consumer demand has also risen markedly, particularly for services and durable goods fuelled by a sustained expansion of incomes and rising employment.

The least uniform pattern has been evident in the levels of employment, ranging from excessive unemployment rates in Italy and Sweden to labour shortages of varying degrees of severity in central Europe — West Germany, Austria and Switzerland. Wage increases have been strong in most west European countries, especially since last autumn. Given the upward trends in prices and profits, wage restraint is apparently no longer acceptable to unions (except in Britain) for the time being at least. Even in West Germany, the Netherlands and Austria, where moderate policies were still evident at the end of 1972, wages are now being pushed up as a result of industrial unrest.

intra-European trade

Inevitably, the advance of demand and production will be reflected, even magnified, in the expansion of intra-European trade, with some changes in patterns due to differences in capacity utilisation, varying rates of increase in unit costs, and shifts in competitive positions because of changes in exchange rates. That the effects of these changes will, however, be felt only after a certain lag is evident from the strong element of foreign demand in the current West German boom, in spite of a relatively large revaluation of the Deutschmark.

Japan

In Japan, the growth of gross national product has accelerated to an annual rate of 15 per cent. The rapid growth in demand has led to advances in prices on an equally wide scale but, despite inflation which is in any case matched by nearly equivalent rates in other industrial countries, and despite the considerable revaluation of the yen since 1971, the worldwide growth of import demand continues to support a vigorous expansion in Japanese exports.

USA

In the United States, the economy during the first part of 1973 was at the pea

of the most vigorous expansion for two decades. As in western Europe the boom is supported by strong growth in industrial investment and inventory accumulation and both these sectors of expenditure would continue to have a strong stimulating effect on the economy. An improvement in the United States' balance of payments on current account is becoming evident, but the transition period will be prolonged not only because of the usual lags associated with these kinds of adjustments, but also by the strong import pull of the domestic expansion and by an increasing reliance on imported sources of energy.

II

Prospects for World Trade

Reflecting the general rise in economic activity among the industrial countries, international trade expanded even more vigorously during the second half of 1972 than during the first six months. For the year, the rate of increase in dollar value was between 16.5 and 17 per cent. Since, however, prices of goods traded internationally have risen at unprecedented rates, only about half of the rise in value represented an increase in the volume of transactions. The various exchange rate changes since 1971 have also inflated world trade values expressed in terms of US dollars.

Price increases in recent months have been particularly marked in industrial raw materials and agricultural commodities. In part, this has been due to the devaluations of the dollar and sterling. In addition, however, accelerating industrial expansion, together with inventory accumulation in anticipation of further price increases, resulted in tight market conditions which put producers in a strong position to raise their prices.

With the sustained growth in industrial output, consumption of raw materials will continue to expand apace, although the rapid build-up of stocks is unlikely to be maintained at recent rates. Increases in the output of primary products, in response to the rise in prices, and sales from the US strategic stock piles, should appreciably moderate price increases of industrial materials. Further strong increase in some agricultural commodities may be expected, however, particularly for animal products. And prices of manufactured goods, reflecting the almost universal inflationary pressures in the industrial countries, will also continue to rise.

Average prices in interntional trade will, therefore, probably rise at least as sharply in the course of 1973 as in 1972. The volume of world trade should expand even more strongly so that the real increase in international trade will probably exceed 10 per cent in 1973 and the rise in dollar terms) will be about 20 per cent.

Although the underlying current of rising demand in virtually all industrial countries will be checked somewhat by narrowing margins of capacity utilisation and by labour shortages, the pace of world economic activity will continue to add to the universal inflationary potential.

If there is any sectoral change foreseeable in the forces driving the boom, it will be a relative increase in the importance of investment.

Imbalances between demand and productive capacity may thus become most serious in the capital goods industries. While there is little that can be done about supply pressure differentials between sectors of industries in the short run, it becomes all the more important that consumption is constrained to bring aggregate savings more nearly into line with the increase in investment spending and thus to moderate the inflationary forces as much as possible.

Wage increase in most industrial countries will overtake productivity gains, tempting industry to raise prices to protect margins. Moreover, recent price increases for raw materials have not yet been fully reflected in prices at later stages of production and for consumer goods. Firm policy measures, both fiscal and monetary, will be necessary in the face of the inexorable surge in costs and prices, but the path between the danger of (a) the momentum of expansion leading to a further impetus to inflation, and of (b) a too sudden and too severe restraint leading to unacceptable increases in unemployment rates, is narrow and difficult.

III

The International Money System

In the light of the numerous developments this year, and the steps taken to counteract yet another severe currency crisis, the most optimistic view in that the world's monetary system is somewhat more capable of avoiding the extreme instability in the exchange markets experienced on too many occasions. The likelihood of another serious crisis cannot be discounted: the measures taken thus far have been insufficient to bring permanent stability, but even when some relative calm is restored, it cannot persist until there has been some restructuring to correct the fundamental weaknesses in the existing system.

Probably the most crucial problem has been the failure of the adjustments mechanism to correct the payments imbalances that have developed between the major industrialised countries. This failure (which is related to the problem of the creation and composition of international liquidity) has long been reflected in a system of fixed exchange rates based essentially on the dollar as a key reserve currency to which other currencies were pegged.

flexibility in exchange

The ensuing developments — marked by a formal 10 per cent dollar devaluation, the floating of the yen, and the joint float by EEC members (excluding Italy, the United Kingdom and Ireland) — seem to have increased the acceptability of a larger measure of flexibility in exchange rates. Most of those countries whose currencies are at present floating appear to favour this method under existing conditions, even though the communique released by the Committee of Twenty late in March reaffirmed the belief in a fixed but adjustable par-value system. The communique also revealed that progress is being made in solving some of the other basic problems. For example, it has been agreed in principle that rates be adjusted more promptly by using objective measures (such as the basic balance of payments or the level of the reserves) and that the role of reserve currencies should be reduced, being replaced by Special Drawing Rights (SDRs) as the principal reserve asset of a reformed system.

The broad outlines of a new system are appearing but despite the pressure placed on the deputies of the Committee of Twenty to propose concrete reforms (and resolve their differences), further announcements seem unlikely in the near future. The most pressing issues revolve around the future of the dollar as a reserve currency and the determination of critria and responsibilities for appropriate parity changes.

The composition of the monetary reserves will have to be changed in such a way that the role of the SDRs — or a similar reserve asset — can be created for reserve purposes without increasing inflationary potential. The parities of all currencies would have to be defined in terms of this asset. The present excess dollar balances could be consolidated by means of a long-term or perpetual loan by the IMF to the United States with a corresponding issue of SDRs by the IMF. The monetary significance of gold will

gradually diminish. This process could be furthered if the central banks were allowed to buy and sell gold at a market price, thus leaving it to each central bank to decide whether or not and to what extent it wishes to keep gold as an official reserve. By creating international reserves by means of collective procedures, each country would have assets at its disposal, with which exchange parities could be maintained.

The control of short-term capital movements can help to cope only with a temporary disequilibrium. Should it appear that more drastic measures, which have to change the underlying factors in the short term, are not sufficiently effective, a policy of limiting the volume of the liquid funds held by private persons seems preferable, in addition to controls on the investment of official reserves in the Euro-currency markets. As such means of containing flows of bonds do not interfere with the possibility of industries having the free disposal of their financing resources, these measures are to be preferred to quantitative and prohibitive regulations.

In the meantime, the system of *de facto* floating will continue and it is difficult to visualise any return to a strict par-value system until the dollar's position has been stabilised. For many currencies, not least the £, which has been floating for nearly a year, it is not at all apparent what the correct exchange rate should be, and floating must therefore be considered a valid policy.

Moreover, there are indications that senior representatives involved in discussions on monetary reform are reasonably satisfied with the prevailing system. It is possible that future discussions of the Committee of Twenty will be overtaken by events. So much depends on the significance that is attached to the breakaway from the dollar standard.

Some major countries feel strongly that floating rates should not be retained indefinitely. They argue that floating rates are unfavourable to the continued expansion of world trade because they create uncertainties for importers and exporters, and that they are not conducive either to internal monetary stability or to the growth of productivity because they remove the discipline imposed by fixed rates on public authorities and on private firms.

It is clearly the opinion of the French, for example, that any return to a stable international monetary system implies the restoration of convertibility at fixed rates between the major currencies, each country having to defend the parity of its own currency on the foreign exchange market. Other countries also support a system of 'stable but adjustable' par-values, al

The Leading Currencies at a Glance

Country	1973 Balance of Payments Trends	1972 GNP[1] (billions)	1973 Projections (Annual Change) GNP[2]	Prices[3]	Expected Changes in Monetary Conditions
Belgium	Decreasing current account surplus	$ 33	5.0%	6.0%	Rising interest rates and tightening of monetary conditions.
France	Slight surplus on current account	$ 196	6.2%	5.25%	Continuing rise in interest rates
Germany	Increasing surplus on trading and current account.	$ 293	6.5%	5.5%	High interest rates maintained under reinforced monetary restraint.
Italy	Deteriorating current account partly offset by reductions in capital outflows.	$ 119	5.0%	7.0%	Lower interest rates and easy credit conditions.
Japan	Equilibrating tendencies in both current and capital account.	$ 299	9.7%	5.5%	Tighter money as a result of rapid economic expansion.
Netherlands	Substantial but decreasing current account surplus.	$ 46	4.0%	7.5%	Slight increase in long-term interest rates later in 1973.
United Kingdom	Increasing deficit on both trading and current account.	$ 129	6.3%	8.0%	Interest rates stabilising at higher levels with continued efforts to limit monetary expansion.
United States	Gradually decreasing trade deficit with some reversal of capital outflow.	$ 1,152	6.7%	3.5%	Markets will continue firm because of high level of demand and monetary policy will become more restrictive.

(1) Gross National Product at current prices, converted into US dollars at following exchange rates: BF44.8=$1, FF 5.125=$1, DM 3.18=$1, L577=$1, Y302.88=$1, G3 21=$1, £1=$2.5.

(2) Gross National Product at constant prices.

(3) Implicit GNP price deflator.

Source: Annual Review of the Societe Financiere Europeenn

hough they might be prepared to accept echnically floating rates, if conditions were, in fact, likely to favour stable exchange markets. Others believe that floating would promote stability. In any case, there is broad agreement on the goals of monetary reforms: (1) to preserve and promote a world economy as free as possible of controls on trade and finance, and (2) to provide international monetary arrangements that neither inhibit the rational use of the world's resources nor yield to excessive inflationary pressures.

Note: The Societe Financiere Europeenne is responsible neither for the emphasis of my summary of their report nor for my interspersed comments.

Attracting development capital

Andrew Allen

> "There is no ideal set of incentives; the choice of those offered is naturally influenced by the local conditions and development aims in each country.... Incentives sometimes have unintended side-effects which partly defeat the aims of countries offering them," says the author. Mr Allen is an economic consultant at Freeman Fox and Associates, London, and the author of "A Guide to Investment in Developing Countries," to be published by Charles Knight and Company Ltd, UK.

COMPETITION for foreign capital among developing countries has inevitably tended to increase the inducements offered by all, and that makes it additionally difficult to try to measure the real effectiveness of incentives in attracting investment that might otherwise not have been made. Countries with relatively few incentives continue to attract capital on their natural appeal to investors; others fail to do so for all the inducements held out.

A second point is that the variety of incentives and the combinations in which they are offered (summarised below for some developing and semi-developed countries) merely confirms the obvious—that there is no ideal set of incentives; the choice of those offered is naturally influenced by local conditions and development aims in each country. And that, in turn, makes it difficult to measure, as a general rule, the effectiveness of one form of incentives as against another. What experience has shown, however, is that incentives sometimes have unintended side-effects which partly defeat the aims of counrties offering them.

new complication

A new complication is that the American trade bill in April includes proposals to extend US tax to the overseas earnings of American international companies in a way that might negate many of the advantages now offered by host countries, notably by tax holidays, one of the commonest incentives offered.

Tax holidays are a guarantee by the government to reduce or remove the liability to corporate income-tax for a given period. The time may be calculated on the amount of investment, the numbers employed, or the type of industry set up. Tax holidays vary from two to as much as 10 years and, superficially, they may be attractive.

However, where a tax holiday is given on the volume of investment (as in Malaysia) the tendency is for an overseas company to employ capital rather than labour, although this is precisely the opposite of the labour intensive industry most needed by developing countries with large unemployment.

Another problem is that tax-free dividends cannot normally be repatriated without incurring tax liability in the home country, unless there is a double taxation agreement between the countries that specially takes into account the taxation holidays and deems the tax to have been paid. This means that an overseas company must reinvest in the developing country or in some third country to reap the maximum advantage of tax holiday concessions—which it may not necessarily wish to do.

Given the difficulties of this form of tax relief, some countries, such as Greece, guarantee stability of taxation. For a certain number of years the government guarantees the rate of company tax will not be raised. The advantage is that companies can plan their cash flow in advance with accuracy.

Initial depreciation allowances, or accelerated depreciation allowances, are sometimes combined with tax holidays or used on their own. They effectively work as tax reductions and although it depends on the degree of fixed investment, and therefore encourages capital intensive investment, depreciation allowances have the advantage that the cost to the host country can be calculated in advance with greater accuracy than that of the tax holidays.

Another major type of incentive commonly offered is the duty-free import of raw materials and machinery. Many developing countries derive a large proportion of their tax revenue from import duties. It is relatively easy to levy at ports and airports. From their point of view to reduce or lift import duties is therefore a large concession. However, by reducing the import cost of machinery there is again a tendency to encourage capital intensive industry where job creation should have the highest priority. How far this influences decisions is uncertain, since there are some benefits on the other side: import substitution can reduce retail prices considerably, partly overcoming the difficulties of low volume, high cost industries. Where the local production cost is higher than imports, many developing countries are prepared to consider the application of tariffs, at least initially.

high priority

The development of industries earning foreign exchange has a high priority. One of the most common means of attracting industries of this type is by use of export zones. These are areas set aside by the government for the production of purely export goods either using imported or local raw materials. They are commonly near ports or airports to facilitate quick transport.

About 16 developing countries have either established such zones or are thinking of doing so. Characteristically

these zones have no company taxation duty free import and export of raw materials coupled with minimum interference from the government. They seem on the whole to be successful in attracting labour intensive industries. One of the most successful is in Taiwan, where the majority are textile companies, though this is an industry that mostly employs women, although male employment is needed more urgently.

Other export industry incentives include special loans for exports and special deductions from tax of export promotion expenses, and a whole range of subsidiary benefits, such as export credit guarantees. Where particular industries are wanted, a special package of incentives can often be negotiated. For tourist development, Tunisia, for example, offers a variety of incentives including duty free import of capital equipment and loan interest rebates. Similarly Malaysia offers generous tax holidays for hotels, depending on where they are sited, with duty free import of capital equipment.

Additional incentives ranging from low cost land to power subsidies and pre-built factories can be negotiated. A company with a strong negotiating position should be able to obtain a considerable number of benefits.

There is a noticeable tendency for the value of incentives to escalate as countries compete for investment. What is still needed, however, is a more careful analysis of the costs and effects of what seems at present to be a haphazard selection.

Investment incentives

Afghanistan. Five-year tax exemption for approved industries. Duty free import of plant, materials and equipment.

Argentina. Ten-year tax reduction, starting at 100 per cent for the first four years, then reducing to 10 per cent after ten years for approved industries. Alternatively companies may deduct between 50 and 70 per cent of their investment from their tax bill. Duty free imports of machinery and parts not available locally and specialised export incentives.

Bahamas. No income or corporate tax. Import duty refunds and exemption for equipment for hotels and industry.

Barbados. Either a ten-year tax holiday with national depreciation allowance or a seven-year holiday with depreciation allowances used before or after the tax holiday. Duty free import of capital equipment. Profits from exports are taxed at a reduced rate after the tax holiday.

Brazil. Special tax holidays for companies locating in certain regions. Ten year tax holiday for hotel and tourist investments. Export profits tax exemption.

Cameroon. Depending on the type of company, various tax exemptions and deductions. Import duty exemption on equipment, materials and machinery. Export tax reductions.

Colombia. Partial exemption from company tax is permitted for companies using local raw materials. Special tax credits for export performance are available at 15 per cent of the value of exports. Certain industries are eligible for further tax concessions.

Cyprus. Special tax holiday incentives have to be negotiated directly with the government. Three-year tax holidays and low interest loans are available for tourist development. Duty free import of plant and raw materials.

Egypt. Five-year tax holidays for approved companies.

Ethiopia. Five-year tax holiday for new investment greater than E \$200,000; expansion of existing plant and investments of less than E \$200,000 are given a three-year tax holiday. Imports for processing are duty free.

Eire. Tax relief for 15 years on export profits. Grants available for 50 per cent of fixed assets to companies locating in certain areas. Generous capital allowances.

Ghana. Approved companies may be granted tax holiday up to ten years. Duty free import of raw materials and machinery. Export duties exemption for manufactured exports.

Greece. Special low cost loans for shipping and hotels investments. Approved companies may be eligible for a guarantee of tax stability; for industries locating outside Athens, reduction and exemption from various taxes. Machinery eligible for duty free import for ten years. For export goods, raw materials may be imported duty free.

Hong Kong. The colony is a free port and levies low rates of tax.

India. Tax holiday on income up to 6 per cent of capital employed for five years. Special depreciation allowances. Customs and excise concessions for export industries.

Indonesia. Two to six years' exemption from corporation and dividend tax. Exemption from import duty on raw materials for two years. Machinery and equipment is free both of duty and sales tax. An export bonus is payable for exports performance.

Israel. Approved industries (mainly export oriented) are entitled to a reduced tax rate for five years. Machinery and equipment are eligible for grants of 15 to 30 per cent.

Ivory Coast. Approved companies are guaranteed stability of tax for a minimum of 25 years. Duty exemption for raw materials and machinery. Export tax reduction for ten years.

Jamaica. Ten-year tax holiday for companies locating in developing areas and 15 years in the less developed areas. Duty free imports may be permitted.

Kenya. No special tax holiday incentives, but an initial depreciation allowance. Customs duty refunds are available on negotiation.

Korea. Tax holiday for five years on foreign owned investment and tax reduced by 50 per cent for a further three years. Capital goods imported duty free. Raw materials for export goods are also duty free.

Malaysia. Tax holidays granted on the basis either of capital invested or the numbers employed (five-year tax holiday for more than 350 employed). Extension of tax holidays for manufacturing special products and locating in development areas. Other investors eligible for investment tax credits. Special tax incentives for hotel and development investments and export performance.

Malawi. Special initial depreciation allowances. Commonwealth goods may be imported duty free for use in manufacturing.

Malta. Incentives granted on negotiation.

Mauritius. Development companies are eligible for between five and eight years' tax holiday depending on whether special depreciation allowances are taken. Export companies are eligible for between 10 and 20 years' tax holiday. Raw materials and capital goods may be imported duty free.

Mexico. Export companies are entitled to tax reduction and duty drawback.

Morocco. Approved companies are eligible for a guarantee of tax stability and accelerated depreciation allowances. Machinery and raw materials may be imported wholly or partly duty free. Low cost credit facilities are available for hotel projects.

Nepal. Approved companies are eligible for tax holidays of between five and ten years. Raw materials and capital

goods may be imported duty free. Export companies may be exempt from export duties.

Nigeria. Between two and five years' tax holiday may be granted depending on the amount invested. Ten years' exemption from import duties may be granted.

Panama. Special tax incentives may be granted to companies locating in the free zone including tax holidays and duty free imports.

Papua New Guinea. Pioneer compaies are eligible for between five and six years' tax holiday.

Paraguay. Industries may be exempted from between 30 and 50 per cent of their tax bill for five years. In development areas it may be increased up to 100 per cent for ten years. Various degrees of duty exemption are permitted on capital equipment and raw materials.

Philippines. Depending on the type of company, certain tax reductions and duty exemptions are allowed.

Singapore. For an investment of over $ 1 mn., a five-year holiday may be permitted. Duty free import of machinery and raw materials. Export profits are eligible for a three-year tax holiday.

Sri Lanka. Five year tax holiday for approved industries. Export profits may have a three-year tax holiday.

Sudan. Approved companies are exempt from taxation for five years. For an investment of more than $ 1 mn., only 50 per cent of the tax bill is payable for a further five years. Machinery and factory equipment are eligible for a reduction of import duties.

Trinidad and Tobago. Five-year tax holiday for pioneer companies. For large scale investment this may be increased to ten years. Capital equipment may be imported duty free.

Tunisia. Complex system of incentives dependent on the amount of the investment. Special low cost loans for the development of tourist facilities.

Turkey. Approved companies may subtract between 30 and 50 per cent of their investment from their tax bill. Exports are eligible for the return of duties and indirect taxes.

Zaire. Certain tax reliefs depending on the type of industry. Import duty exemption for machinery.

Zambia. Two-year tax holiday for pioneer companies with extra years granted for large investments. Duty exemption for the import of machinery.

(**Courtesy**: National and Grindlays Review)

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS

RATHI UDYOG LIMITED

(INCORPORATED UNDER THE COMPANIES ACT, 1956) *Registered Office*: F-7A, HAUZ KHAS ENCLAVE, NEW DELHI-110016

ANNOUNCEMENT REGARDING THE ISSUE OF 3,80,000 EQUITY SHARES OF RS. 10/- EACH

Persons interested in full details may obtain copies of the prospectus and Application forms from the Registered Office of the Company, Bankers to the issue, Registrars, Underwriters, Managing Brokers and Brokers mentioned herein. The subscription list will open at the commencement of Banking hours on Thursday the 19th July 1973 and will close at the close of Banking hours on 27th July 1973 or earlier at the discretion of the Directors of the Company, but not before the close of Banking hours on 23rd July 1973.

BJECTS OF THE COMPANY & PROSPECTUS

The Company was incorporated on 17th Dec, 1971, and obtained certicate of Commencement of Business on 11th January, 1972. The objects f the Company are fully set out in the Memorandum of Association of the ompany. The immediate and main objects are to set up a structural mill, ire rod mill and refractory plant.

The Company's Factory is located over 50,411 Sq. Mts. Lease hold plot f land on G.T. Road, Ghaziabad. The total estimated requirement of lectric Power for the Project including auxiliary and anciliary facilities is 000 KVA at full production and the U.P. State Electricity Board has already anctioned the load. In the first phase of the Project a 14" Re-rolling Mill as been installed which was commissioned in a record time on 5th Feb, 1973. he end product i.e., Rounds, Bars produced by the Company have been well ceived in the market.

The Wire-rod Mill and Refractory plant are under installation. It is pected to complete the erection of the Wire-rod Mill and Refractory Plant y early December 1973 and the Commercial production would start shortly ereafter.

The end products of the Company are utilised for civil construction d defence requirement. These items are in very good demand in the nearby eas and the demand is expected to increase substantially due to economic d industrial development of the Country. Due to increase in demand of e Company's Product and a short supply of the same, the Board of Direcs do not anticipate any marketing problem. It is expected that barring foreseen circumstances the Company would be in a position to declare idends within a reasonable time.

ARD OF DIRECTORS

Shri V.C. Patel, F.C.A. S/o Shri Chaturbhai Motibhai Patel, 'Sudhakar' Narayan Dabholkar Road, Bombay, 400006 Financial Consultant	*Chairman*: 1. Blow Plast Ltd. *Director*: 1. The Ahmedabad Cotton Mfg. Co. Ltd. 2. The Ahmedabad Shri Ram Krishna Mills Co. Ltd. 3. Dynacraft Machine Co. Pvt. Ltd. 4. Jotindra Steel & Tubes Ltd. 5. Maharashtra Steels Ltd. 6. The Modern Construction Co. Ltd. 7. New India Fisheries Ltd. 8. Orissa Paper Mills Co. Ltd. 9. P.G. Textile Mills Pvt. Ltd. 10. Rathi Ispat Limited. 11. Shri Ambika Mills Ltd.
Shri Jayant Dalal, S/o Shri Shivlal Bhaidas Dalal, 12, Belvedere Court, 148, Maharshi Karve Road, Bombay-400020 Industrialist	*Chairman*: Camphor & Allied Products Ltd. Jayant Dalal Ltd. Jg. Glass Ltd. Krishna Glass Pvt. Ltd. Suneeta Vitamins & Chemicals Ltd. Terpene Industries Ltd. Vidarbha Iron & Steel Corpn. Ltd. *Director*: 1. Bareilly Electricity Supply Co. Ltd. 2. Ferro Alloys Corporation Ltd. 3. Gujarat Industrial Trucks Ltd. 4. Grauer & Weil (India) Ltd. 5 Indo Pharma Pharmaceutical Works Pvt. Ltd. 6. Indian Textile Paper & Tube Co. Ltd. 7. J.B. Boda & Co. (Far East) Ltd., Hong Kong. 8. Kanoria Haycock Sanderson Ltd. *Executive Committee Member*: 1. Indian Merchants' Chamber 2. Indo-American Chamber of Commerce.
Shri N.K.P. Salve, M.P., S/o Shri P.K. Salve, 4, Dupleix Lane, New Delhi-110011. Chartered Accountant.	*Director*: 1. Allwyn Cooper Pvt. Ltd. 2. Allwyn Mercury (Northern India) Pvt. Ltd. 3. Modi Rubber Ltd. 4. Suneeta Vitamins & Chemicals Ltd.
Shri Prem Ratan Rathi S/o Late Gordhan Das Rathi, F-7A, Hauz Khas Enclave, New Delhi-110016. Industrialist	*Managing Director*: 1. Rathi Ispat Limited. *Director*: 1. Bharat Electrosteels Ltd. 2. Gordhandas Rathi Steels Pvt. Ltd. 3. Rathi Steel Rolling Mills Ltd. 4. Rathi Oxygen Ltd. 5. Triveni Sheet Glass Works Ltd.
5. Shri Punam Chand Rathi, S/o Late Gordhan Das Rathi, F-7A, Hauz Khas Enclave, New Delhi-110016. Industrialist.	*Director*: 1. Rathi Steel Rolling Mills Ltd. 2. Bharat Electrosteels Ltd. 3. Rathi Oxygen Ltd.

SECRETARY

Mr. K.K. Jain, B.Com. (Hons) A.C.A., GRAD, CWA,
7/27-A, Roop Nagar,
Delhi-110007.

SOLICITORS :

M/s Khaitan & Partners,
23, Kasturba Gandhi Road,
Himalaya House,
New Delhi-110001.

SHARE CAPITAL

Authorised :		Rupees
8,00,000	Equity Shares of Rs. 10/-each	80,00,000
20,000	9.5% Cumulative Redeemable Preference Shares of Rs. 10/-each	20,00,000
		1,00,00,000

ISSUED & SUBSCRIBED :		
700	Equity Shares of Rs. 10/- each Subscribed by the subscribers to the Memorandum of Association	7,000
2,49,300	Equity Shares of Rs. 10/-each	24,93,000
		25,00,000

PAID UP CAPITAL :		
700	Equity Shares of Rs. 10/-each	7,000
2,49,300	Equity Shares of Rs. 10/- each Rs. 5/- paid up	12,46,500
		12,53,500

Present issue offered to the public for subscription for cash at par :

3,80,000	Equity Shares of Rs. 10/-each	38,00,000

TERMS OF PAYMENT

	Per Share	
On Application	Rs. 2.50	
On Allotment	Rs. 2.50	
By one or two calls to be made by the Board of Directors	Rs. 5.00	Rs. 10.00

UNDERWRITERS :

The issue offered for public Subscription is underwritten as under :

	Amount Underwritten (Rs. in lakhs)
1. Bhupendra Champaklal Devidas, Bombay	4.00
2. Jamnadas Morarji & Co., Bombay	4.00
3. Nagindas Chhaganlal, Bombay	1.50
4. D.S. Purbhoodas & Co., Bombay	1.00
5. Maganlal T. Vora, Bombay	0.50
6. Devkaran Nanjee & Co., Bombay	0.75
7. Lewis & Jones, Bombay	1.00
8. Porecha Brothers, Bombay	0.50
9. Jaswantlal Chhotalal, Bombay	0.75
10. Pankaj Ishwarlal Kapadia, Bombay	0.50
11. M.K. Choksey & Co., Bombay	0.50
12. Prabhudas Lilladher, Bombay	1.00
13. Harkisondass Lukhmidass, Bombay	1.00
14. Jamnadas Khushaldas & Co., Bombay	0.75
15. Jayantilal N. Patel, Bombay	0.50
16. Dhirajlal Maganlal Sons, Bombay	0.75
17. Bank of Karad Ltd., Bombay	1.00
18. Jaswantlal Chimanlal, Bombay	0.50
19. Hiralal Lilladhar, Bombay	0.50
20. Valji Bhimji, Bombay	0.50

21. N.M. Parikh, Bombay	0.50
22. D.M.C. Mehta, Bombay	0.50
23. Dalal & Broacha, Bombay	0.50
24. Kesavdas Pranjivandas, Bombay	0.50
25. Amrit Lal Bajaj & Co., Delhi	1.00
26. Vinod Kumar & Co., Delhi	1.00
27. Bharat Bhushan & Co., Delhi	1.00
28. Raja Ram Bhasin & Co., Delhi	1.00
29. H.P. Mehta & Co., Delhi	1.00
30. Jalan & Co., Delhi	1.00
31. Biharilal & Co., Delhi	1.00
32. D.B. Malhotra & Co., Delhi	0.50
33. Place, Siddons & Gough (P) Ltd., Calcutta	1.00
34. Stewart & Co., Calcutta	1.00
35. M. M. Murarka & Co., Calcutta	0.50
36. V. C. Kampani, Calcutta	0.50
37. Mokandlal & Sons, Calcutta	0.50
38. Venkataraman & Co., Madras	0.50
39. V. S. Krishnaswami & Co., Madras	0.50
40. Laxmi Narayan N. Gupta & Co., Ahmedabad	.075
41. Champaklal Bhailal Chokshi, Ahmedabad	0.75
42. Laxmi-Narayan Rathi, Hyderabad	0.50
43. M. Nanjappaiah Jahgirdar, Bangalore	0.50
TOTAL	38.00

REGISTRAR TO THE ISSUE

Allied Management Services,
Mahabir Bazar, Cloth Market, Delhi-110006.

AUDITORS

B.R. Maheshwari & Company,
Chartered Accountants, Cloth Market, Delhi-110006.

MANAGING BROKERS

1. Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay-400001.
2. Jamnadas Morarjee & Co., 5-A, Hamam Street, Fort, Bombay-400001.

BROKERS TO THE ISSUE

BOMBAY

1. M/s Bhupendra Champaklal Devidas, Bhupen Chambers, Dalal Street, Bombay-400001.
2. M/s Jamnadas Morarjee & Co., 5-A, Hamam Street, Fort, Bombay-400001.
3. M/s Nagindas Chhaganlal, 68, New Stock Exchange Bldg., 3rd Floor, Apollo Street, Fort, Bombay-400001.
4. M/s D.S. Purbhoodas & Co., Stock Exchange Bldg., Apollo Street, Fort, Bombay-400001.
5. M/s Maganlal T. Vora, 1st Floor, Bhupen Chambers, Dalal Street, Fort, Bombay-400001.
6. M/s Devkaran Nanjee & Co., 56, Stock Exchange Bldg., 5th Floor, Apollo Street, Fort, Bombay-400001.
7. Lewis & Jones, Bank of Baroda Building, 45-47, Apollo Street, Fort, Bombay-400001.
8. M/s Porecha Brothers, 19, Stock Exchange Bldg., Apollo Street, Fort, Bombay-400001.
9. M/s Jaswantlal Chhotalal, Bhupen Chambers, Dalal Street, Fort, Bombay-400001.
10. M/s Pankaj Ishwarlal Kapadia, Stock Exchange Bldg., 4th Floor, Room No. 35-3, Dalal Street, Fort, Bombay-400001.
11. M/s M. K. Choksey & Co., Bank of Maharashtra Building, 45-47, Bombay Samachar Street, Fort, Bombay-400001.
12. M/s Prabhudas Liladhar, Stock Exchange, 5-A, Hamam Street, Fort, Bombay-400001.
13. M/s Harkisondass Lukhmidass, Stock Exchange Building, Apollo Street, Fort, Bombay-400001.
14. M/s Jamnadas Khushaldas & Co., 11-13, Mint Road, Fort, Bombay-400001.
15. M/s Jayantilal N. Patel, 86, Stock Exchange Bldg., Apollo Street, Fort, Bombay-400001.
16. M/s Dhirajlal Maganlal Sons, Stock Exchange Bldg., Apollo Street, Fort, Bombay-400001.
17. M/s Jaswantlal Chhaganlal, 68, Stock Exchange New Bldg., Apollo Street, Fort, Bombay-400001
18. M/s Hiralal Liladhar, Stock Exchange Bldg., 5-A, Hamam Street, Bombay-400001.
19. M/s Vilji Bhimji, Old Stock Exchange Bldg., Dalal Street, Fort, Bombay-400001.
20. M/s Narandas & Sons, Union Bank Bldg., Dalal Street, Fort, Bombay-400001.
21. M/s Yashwant N. Shah, 15, Union Bank Bldg., 3; Dalal Street, Bombay-400001.
22. M/s Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Bombay-400001.
23. Mr. N. M. Parikh, C/o Narottam B. Javeri, 33, Stock Exchange Building, Apollo Street, Bombay-400001.
24. M/s D. M. C. Mehta, Bhupen Chambers, Dalal Street, Bombay-400001.
25. M/s Dalal & Broacha, Stock Exchange Building, 29, 1st Floor, Dalal Street, Bombay-400001.
26. M/s Kesawdas Pranjivan Das, 148, Stock Exchange Building, 5th Floor, Bombay-400001.

NEW DELHI

27. M/s Amrit Lal Bajaj & Co., United India Life Bldg., F-Block, Connaught Place, New Delhi-110001.
28. M/s Vinod Kumar & Co., A-6, Connaught Place, New Delhi-110001.
29. M/s Bharat Bhushan & Co., H-45, Connaught Place, New Delhi-110001.
30. M/s Raja Ram Bhasin & Co., Jeevan Mansion 8/4, Deshbandhu Gupta Road, New Delhi-110055.
31. M/s H. P. Mehta & Co., 3rd Floor, Akash Deep Bldg., Barakhamba Road, New Delhi-110001.
32. M/s Jalàn & Co., Delhi Stock Exchange Bldg., Asaf Ali Road, New Delhi-110001.
33. M/s Biharilal & Co., 15, Stock Exchange Bldg., Asaf Ali Road, New Delhi-110001.
34. M/s B. K. Khullar & Co., 31, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
35. M/s P. Roy & Co., 3/8 M.M. Road, Jn., Panchkuin Road, New Delhi-110001.
36. M/s Roshan Lal & Co., 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
37. M/s Sikander Lal & Co., 42, Delhi Stock Exchange Building, Asaf Ali Road, New Delhi-110001.
38. M/s D. B. Malhotra & Co., 13, Stock Exchange Building, Asaf Ali Road, New Delhi-110001.

CALCUTTA

39. Place, Siddons & Gough (P) Ltd., 6, Lyons Range; Calcutta-700001.
40. M/s Stewart & Co., 14, India Exchange Place, Calcutta-700001.
41. M/s V. C. Kampani, 16, India Exchange Place, Calcutta-700001.
42. M/s M. M. Murarka & Co., 1/B, Mandevilla Gardens, Calcutta-700019.
43. M/s Mokandlal & Sons, 7, Lyons Range, Calcutta-700001.
44. M/s Brijnath Khandelwal & Co., 13, Stock Exchange Place, Calcutta-700001.

MADRAS

45. M/s Venkataraman & Co., 322-323, Linghi Chetty Street, Madras-1.
46. M/s V. S. Krishnaswami & Co., 106, Armenian Street, P.B. No. 265, Madras-1.
47. M/s Chitra & Co., Post Box No. 1557, 322-323, Linghi Chetty Street, Madras-1.

AHMEDABAD

48. M/s Laxmi Narayan N. Gupta & Co., Anandji Kalyanji Bldg., Relief Road, Ahmedabad-1.
49. M/s Champaklal Bhailal Chokshi, Manek Chowk, Ahmedabad-1.

HYDERABAD

50. M/s Laxmi Narayan Rathi, Hashmat Ganj, Sultan Bazar, Hyderabad.

BANGALORE

51. M/s N. Nanjappaiah Jahgirdar, 205, Cavalry Road, Bangalore.

BANKERS TO THE COMPANY

1. Bank of Baroda, Ghaziabad (U.P.).
2. The New Bank of India Limited, M-5, Mehrauli Road, Hauz Khas, New Delhi-110016.
3. Union Bank of India, Ghaziabad (U.P.).

BANKERS TO THE ISSUE

1. Bank of Baroda, Ghaziabad (U.P.)
   and its main offices at : Agra, Ahmedabad, Allahabad, Bangalore, Bhilai, Bombay, Calcutta, Delhi, Faridabad, Hyderabad, Indore, Jamshedpur, Mangalore, Madras, New Delhi, Porbunder, Patiala, Rajkot Sonepat.
2. Bank of India, 54, Janpath, New Delhi-110001.
   and its main offices at : Ahmedabad, Amritsar, Baroda, Bombay, Bangalore, Bhopal, Calcutta, Cuttack, Cochin, Coimbatore, Delhi, Dhanbad, Durgapur, Ernakulam, Gauhati, Ghaziabad, Indore, Jamnagar, Jabalpur, Jaipur, Kanpur, Lcuknow, Ludhiana, Madras, Mysore, Meerut, NewDelhi, Nagpur, Panjim, Patna, Poona, Surat, Saharanpur, Secunderabad, Trivendrum, Varanasi, Vijayawada.
3. The New Bank of India Limited, M-5, Hauz Khas, New Delhi-110016. and its mai offices at: Ahmedabad, Amritsar, Bombay, Calcutta, Chandigarh, Delhi, Dehradun, Ghaziabad, Jullundur, Ludhiana, Madras, New Delhi, Surat.
4. The Bank of Karad Limited, Ambalal Doshi Marg, (Hamam Street) Fort, Bombay-400001.

PROSPECTUS AND FORMS OF APPLICATIONS

Copies of the Prospectus and application forms may be obtained from the Registered Office of the Company, Underwriters, Registrar to the issue, Managing Brokers, Brokers, Bankers to the issue, named herein or from their main offices/branches at places mentioned above. Application must be on the prescribed form only and in accordance with the instructions contained in the form and will be refused if not so made. Applications may be made only by residents in India and must be for a minimum of 50 equity Shares or multiples thereof. Multiple applications are liable to be rejected. Application forms properly completed must be delivered before the close of subscription list together with full amount payable on application to any of the Bankers to the issue or their main Offices/Branches at the places mentioned in the application forms.

EWAINAD

We respect money.
That's why a Blue Star Air Conditioning or Refrigeration System doesn't cost you the earth.

Whether it's a Blue Star packaged climate system or a central plant, you pay a fair, economic price.

That's because we execute your job the same way we run our organisation.

By making optimum use of our resources: men, machines, materials, money.

That's why there are no high costs of organisational inefficiencies to be covered in our price to you.

Another thing.

We don't charge a fancy premium for our expertise.

How can we? After all, we have great respect for money—ours and yours.

If we could do it for them we can do it for you.

Air-India Administration and Terminal Building, Bombay
Bank Note Press, Dewas
Indian Organic Chemicals Ltd, Madras
Abbott Laboratories (India) Private Ltd, Bombay

BLUE STAR —*the climate makers*

BOMBAY · CALCUTTA · NEW DELHI · MADRAS · KANPUR · SECUNDERABAD · JAMSHEDPUR · COCHIN · BANGALORE · GAUHATI

TRADE WINDS

Oil Prices

BURMAH-SHELL and Caltex have asked for a fresh increase in the prices of their crude oil with effect frcm July 1, 1973. The increased demanded is 20.3 cents her barrel. A major portion of this increase—14.7 cents a barrel—has been claimed on account of the hardening of world crude oil prices. The remaining 5.6 cents increase has been asked on account of the recent variations in the par values of the currencies in terms of the agreement reached last month between the oil producing and exporting countries (OPEC) and the international oil companies. Esso has asked for an increase of only 3.5 cents per barrel on latter count. It has, however, indicated that it intends to ask for a further price hike in the near future, presumably on the former count.

Currently, Burmah-Shell and Caltex are being issued foreign exchange for bringing in crude oil at the rate of $ 2.35 per barrel. The present price of Esso crude is $ 2.27 a barrel. The government does not appear to have any option but to agreeing to the requests of the three oil companies for the simple reason that crude oil is not available in international markets at cheaper prices. An indication of this is available from the fact that only a few days ago, the state-owned National Iraniam Oil Company concluded a deal for the sale of Iranian light crude oil—which is similar to the type of crude imported by Burmah-Shell—at as high price as $ 2.764 a barrel. With the increase asked by Burmah-Shell, its price will go up to $ 2.553 a barrel, which will still be about 21 cents lower than the price at which the National Iranian Oil Company has sold its crude.

The latest price hike is the fourth one during the current calendar year. The price was raised to $ 2.08 per barrel on January 1, to $ 2.25 on April 1 and further to $ 2.35 on June 1. The step-up on June 1 followed the above-mentioned agreement between the OPEC and the international oil companies to compensate the former for the devaluation of the dollar by 10 per cent. The crude oil prices in October, 1970, were as low as $ 1.28 cents at barrel.

As the international monetary situation has not yet stabilised, further step-ups in the prices of crude oil cannot be ruled out because the last month's agreement between the OPEC and the international oil companies envisage monthly adjustments in the light of the variations in the par value of dollar.

As a sequel to the rise in the prices of crude oil, the prices of various petroleum products, whch were raised last month, can be expected to be increased further in the near future.

Off-Shore Oil Exploration

About 40 foreign concerns have shown interest in oil exploration in the continental shelf of our country, following the relaxation effected in our oil policy early this year. Ten of these have even sent specific proposals. The union ministry of Petroleum and Chemicals is expected to take decisions on these offers in about three months' time.

The ministry has indicated that foreign collaboration in off-shore oil exploration can be either on the Indonesian model —participation in the crude oil produced—or on the pattern of the Oil and Natural Gas Commission's collaboration with Iraq which was negotiated recently. The Iraqi model is service contracting.

It has been further indicated that under the Indonesian type collaboration, the government of India would like to have the option to buy up the "cost crude"—the crude oil which is earmarked for the recovery of the exploration costs over a period of adout five years. The rest of the crude will be shared between India and the foreign explorers according to a pre-determined percentage.

If oil is struck in the Bombay High area, where drilling is expected to start soon after the current monsoon season, commercial credits might be arranged for developing this field. The Cambay offshore region, which includes Bombay High, has been reserved for exploration by our own agencies. Foreign explorers will be required to take up other areas. The entire continental shelf is proposed to be parcelled out into several blocks. Some blocks will be thrown open to foreign collaborators and some reserved for exploration by our own agencies.

Steel Plants

The chairman of the Steel Authority of India Limited (SAIL), Mr Wadud Khan, has indicated that the managements of all public sector steel plants would be restructured in about three months by appointing independent boards. The result of this will be that Hindustan Steel Limited (HSL) which is currently managing the Bhilai, Rourkela, and Durgapur steelworks, would be wound up and the three units would become direct sudsidiaries of SAIL.

Mr Wadud khan hopes that the steel supply situation would ease considerably by the end of this year, as a result of increased availability of power to steel plants, increased availability of railway wagons for moving coal and the expected imports of nearly 700,000 tonnes of various scarce categories of steel. These imports were contracted last year. The total availability of steel is expected to be about 10 per cent more than last year. The allotment quotas for the small-scale sector have already been raised by 40 per cent for the July-September quarter.

The new programme of importing one million tonnes of steel, which was finalised recently, is not expected to be upset by the upward trend in steel prices in the world markets. These imports are likely to start flowing by the end of this year. The target for steel production for the current year has been fixed at 7.3 million tonnes of ingots—about a million tonnes more than the production in 1972.

Yarn Export

The union government decided recently to relax the ban on export of certain varieties of cotton yarn, including cotton yarn in counts 17s and below to all destinations. This is in view of the comfortable demand and supply position of cotton yarn of lower counts. The ban on export of other varieties will be continued till July 31, 1973 or till such further time as the government may decide in public interest. If the spppl position warrants, export of limited quantities of these categories of yarn may be permitted from August 1973. The relaxation is in respect of the following varieties of yarn: (i) cotton yarn in counts 17s and below; (ii) folded cotton yarn of 2 ply in counts 17s and below; (iii) folded cotton yarn of 3 ply and higher plies in all counts; (iv) blended yarn containing 10 per cent or more of man made cellulosic or non-cellulosic, natural silk or woollen fibre; (v) mixed yarn, i.e. where the same hank or cone contains yarn of different counts and (vi) hard vaste. A ceiling for the export of these varieties will be fixed depending upon the demand and supply position. Exporters will be required to obtain a formal authorisation letter for shipment from

the Cotton Textiles Export Promotion Council at Bombay. The council will allocate quantities for export to the exporters, having regard to the order in which they have registered their contracts with the council and to the delivery terms stipulated in such contracts.

Australian Tariff Preferences

A new system of tariff preferences for imports from developing countries was announced recently by the Australian Overseas Trade Minister, Dr James Cairns. An initial margin of preference of 10 per cent below general tariff rates of duty would be given to all manufactured and semi-manufactured products including processed primary products. The developing countries' margin of preference would be increased by 10 per cent at the end of each two-year period until imports of particular products became competitive on the growing Australian market. Products already competitive would be excluded from the new scheme. Dr Cairns said the government hoped the new system would be of particular help to countries in the Asian and Pacific region who looked to Australia as a natural partner.

French Bank Rate Raised

The French bank rate was raised on July 5, from 7.5 per cent to 8.5 per cent, according to an announcement in Paris. The hike in the Banks of France's discount rate, announced by the Economy and Finance minister, Mr Valery Giscard Destaing, is part of a series of new measures to be taken by the government to fight inflation.

Zonal Export Advisory Committee

The first meeting of reconstituted Zonal Export-Import Advisory Committee for the Northern Zone was held in New Delhi on July 11, 1973. The Committee considered specific import and export problems commodity-wise. Duty drawbacks, replenishment licences, incentives and cash assistance were discussed. Problems arising from failure to execute export orders due to power cuts, non-availability of raw materials, etc. also came up for discussion. The Committee deliberated on the export potential and possibilities of specific group of commodities. The Committee was reorganised in January, 1973, with Mr Raunaq Singh as Chairman. Members of the trade and industry are also represented on the Committee.

Indo-Romanian Co-operation

India and Romania have agreed to establish an inter-governmental joint commission on economic, technical and scientific co-operation. The first meeting of the joint commission is proposed to be held in New Delhi towards the end of this year. The establishment of the commission is sequel to the visit of an Indian delegation to Bucharest led by the minister of Planning Mr D P Dhar. Mr Dhar arrived in Bucharest on July 2 at the invtiation of the deputy prime minister and Chairman of the State Planning Committee Mr Manea Manescu. An advance party of eight Indian experts in the fields of oil and natural gas, power generating equipment, steel, fertilizers, as well as representatives of MMTC

had been holding discussions with Romanian officials in anticipation of the arrival of the Planning minister with a view to identifying fields of mutual interest in which co-operation can be developed between the two countries. The Planning minister had discussions with Mr Manea Manescu and ministers of Foreign Trade, Chemical Industry, Electrical Energy and Heavy Machine Building. The discussions underlined the need to establish complementarity of the economies of India and Romania in order to enlarge the area of co-operation between the two countries.

Engineering Team to Indonesia

The Engineering Export Promotion Council is proposing to send a delegation to Indonesia with a view to getting a share of the World Bank loan of $ 100 million being given to Indonesia for modernisation of their old sugar plants.

Tanzanian Revaluation

Tanzania has revalued its shilling by 1.45 per cent against the United States dollar. This revaluation was effective from July 3. Kenya has also revalued its shilling against the US dollar.

International Trade Fair in Delhi

The union government has decided to hold the first India International Trade Fair in New Delhi in 1974. The Fair will be for 30 days from November 14 to December 13, 1974. Pragati Maidan will be the venue of the Fair. Invitations have been issued to all countries with whom we have diplomatic and trade relations. The scope of the Fair is international and will cover all aspects of industry, agriculture, trade and scientific and technological advancement. Apart from international participation at government as well as business levels, the Fair will have an impressive Indian section, projecting our potentiality and competence as a viable exporter and a mature industrial nation. The government intends to utilise the Fair as an instrument for buying items of interest to Indian economy. The modalities of changes in the country's import policy to achieve this purpose are under active examination. The Fair will provide an excellent opportunity to our people to see, compare and assess on Indian soil the quality and price competitiveness of foreign products. India International Trade Fair is expected to generate a bigger response than for Asia '72, in which 47 countries participated.

LIC Mortgage Rates

The Life Insurance Corporation has raised the interest rates on its mortgage loans with effect from July 1. The revised rates for all the schemes would be one per cent above the current bank rate. With every increase or decrease in the bank rate, the LIC rate will maintain one per cent margin, subject to the rates of interest prior to the revision being the minimum. In respect of loans up to Rs 25,000, the effective rates prior to the revision would be retained, subject to proved self occupation and such other conditions. The maximum repayment term of 15 years in respect of LIC loans under its property mortgage scheme may, in respect of future loans, be reduced in suitable cases.

Exports by Dunlop

Dunlop India has reported a record export of Rs 3.22 crores worth tyres and other products during 1972. The exports were directed towards 79 countries including new areas such as Bangladesh, Bulgaria, France, Oman and Mozambique. Among the products exported were a variety of automotive tyres, including tyres for aeroplanes, cycle tyres and tubes, cycle rims and industrial products.

UNDP Projects

Pre-investment activities by the UNDP generated a record $3,100 million in follow-up investment last year, according to UNDP Administrator, Mr Rudolph A. Peterson. The capital follow-up—more than double the $1,400 million recorded in 1971—came at a time when the Programme also reached record levels of spending. In an annual report to the UNDP's 48-member Governing Council, which met in Geneva from June, 6 to 28, Mr Peterson stated that UNDP spent $ 274 million in 1972 on more than 6,000 projects in 135 developing countries. From 1959 through 1972, UNDP committed nearly $ 2,000 million for technical co-operation. The overall value, however, is more then twice that amount because recipient governments generally pay more than half the costs of projects they request. In 1972, for the first time, UNDP assistance to 58 participating countries was delivered on a "forward programming" basis designed to mesh development needs and objectives with available country resources for periods up to five years in advance. The new approach—called "country programming"—lets recipient countries plan projects in terms of long-term priority, with the expectation that funds will be available to meet costs. covering the years 1972-1977, total UNDP expenditures of $ 658 million was expected in the 58 countries involved.

Car Prices

The union government has decided to fix the prices at which the motor cars listed below shall be bought and sold.

The prices given are ex-factory prices inclusive of dealer's commission and do not include excise duties, central sales tax central duties and local taxes, if any, and transportation charges. These prices will be operative from July 1, 1973 to December 31, 1973. The price of Ambassador was fixed at Rs 17,170 in January 1973 and Rs. 16,898 in July 1972. The price of Fiat 1100-D or Premier President was fixed at Rs 16.456 in January 1973 and Rs 16,117 in July 1972. The price of Standard Herald or Standard Gazel was fixed at Rs 16,539 in January 1973 and was same in July 1972.

Name of Manufacturer	*Description of Motor Cars*	*Price Rs*
1. Messrs. Hindustan Motors Ltd., Uttarpara, Distt. Hooghly, (West Bengal).	Ambassador	17.170
2. Messrs Premier Automobiles Ltd., Construction House, Ballard Estate, Bombay.	Premier-President	16,679
3. Messrs Standard Motor Products of India Ltd., 29, Mount-Road, Madras.	Standard Herald/ Standard Gazel	16.666

Fertilisers from Norway

An agreement for the supply of fertiliser. as gift, worth Rs 6.57 crores has been signed recently between India and Norway. According to the agreement, Norway will supply fertiliser of the above value during the period of three years commencing 1973. Fertiliser worth Rs 2.74 crores will be supplied each year during 1973 and 1974, whereas fertiliser for the balance amount will be supplied during 1975. Under the terms of agreement Norway has agreed to supply a quantity of 32,000 metric tonnes of NPK fertiliser for the year 1973-74, which will be shipped during the second half of the current year. This gift would help India in its efforts to increase food production and development of agricultural economy of the country. The agreement was signed by Mr Torbjorn Christianson, Norwegian Ambassador in India and Mr B. C. Kapoor, additional secretary to the government of India in the ministry of Agriculture.

Increase in ECGC Business

The total volume of business transacted by the Export Credit and Guarantee Corporation during 1972 amounted

to over Rs 700 crores. This reflects an increase of 61 per cent over the previous year. The annual report of the Corporation was adopted at the 15th annual general meeting held here under the chairmanship of Mr Y. T. Shah, secretary, ministry of Commerce. The business transacted includes Rs 195 crores of exports insured by the Corporation and bank advances of Rs 506 crores covered under guarantees to banks. 4,210 guarantees and policies were issued during the year. This represents an increase of 8.1 per cent in the number of policies. The policies and guarantees in force at the end of 1972 were 6,114.

The Corporation continued to assist exporters in maintaining exports to Nigeria. Claims paid on account of transfer delays in Nigeria amounted to Rs 249 lakhs or nearly 80 per cent of the total claims of Rs 308 lakhs paid by the Corporation during 1972. Nigeria is a market of great potential but having temporary exchange remittance problems. Recoveries of the value of Rs 180 lakhs were effected during the year under claims paid earlier. The Corporation has been covering a number of large value contracts for exports of machinery and equipment including erection and civil construction projects abroad. There are 101 such policies of the Corporation in force, underwriting a total value of Rs 148 crores. The Corporation was established in 1957 with the limited objective of providing insurance to exporters shipping goods on credit. With the growth and diversification of exports, the Export Credit and Guarantee Corporation undertook a wider range of functions, particularly issue of guarantees to banks. The Corporation is a member of the Berne Union, an international body representing 30 export credit insurance organisations in a large number of countries.

Sugar Production

The total production of sugar upto June 22, 1973 during the current year commencing October 1, 1972 was 3.78 million tonnes as against the corresponding production of 3.05 million tonnes upto the same date last year, thus showing an increase of 739,000 tonnes. Despatches of sugar during the year upto June 22. 1973 were 2.57 million tonnes as against 2.92 million tonnes during the corresponding period last year. The stocks of sugar as on June 22, 1973 with the factories were 1.81 million tonnes against 1.53 million tonnes on the corresponding date last year. Eight sugar factories were reported to be in production on June 29, 1973 as against five factories on the same date last year.

Training Programme for Banks

Public sector banks have decided to provide various training facilities to about 10,000 officers and 24,000 clerks during 1973. The board of directors of each public sector bank will undertake a quarterly review of the progress of the training programme. This has been decided by the Committee of Directors set up by the government in September 1972, under the chairmanship of Mr. N. C. Sengupta, secretary, department of Banking. All public sector banks and expert bodies like the National Institute of Bank Management and the Bankers' Training College of the Reserve Bank of India, are represented on the Committee. The Committee has emphasised the need for preparation of personnel inventory in banks, optimum utilisation of training facilities and setting up of Management Department Cells in public sector banks.

Indo-Bangla Trade Pact

India and Bangladesh signed recently a new three year trade agreement replacing last year's trade accord. The new agreement will be effective from September 28. The agreement finalized after three days of ministerial and official level talks, was signed by union Commerce minister, Mr D. P. Chattopadhyay, and his Bangladesh counterpart, Mr A. H. M. Kamaruzzaman. Under the terms of the agreement, the two countries will export goods worth Rs 30.5 crores each way during the first year of the accord. According to the agreement, Bangladesh will import coal worth Rs 6 crores, tobacco (unmanufactured) Rs 5.20 crores, raw cotton Rs 7.50 crores, cotton yarn Rs 2 crores movies Rs 10 lakhs and cotton textiles Rs 1 crore. Other items of import include bicycles, books, newspapers, magazines, Ayurvedic and Unani medicines, herbs, chemicals, pharmaceuticals, lime, limestone and spices. India will import from Bangladesh during the first, year, raw jute worth Rs 20 crores, fresh fish Rs 3.50 crores, newsprint Rs 4.50 crores, skins and semi-tanned skins Rs 1 crore, Ayurvedic medicines Rs 50 lakhs, books Rs 22 lakhs, movies Rs 10 lakhs, pharmaceutical products Rs 3 lakhs and spices Rs 5 lakhs.

Tariff Value for Free Sugar

The tariff value for free sale sugar for the month of July 1973 has been raised from Rs 260 to Rs 270 per quintal. The change took effect from July, 1.

Optimum use of Water

Prof Sher Singh, union minister of state for Agriculture, laid stress on the optimum utilisation of irrigation potential created by major and medium projects, while addressing the seventh conference of states ministers of Irrigation and Power at Kodaikanal recently. He added that greater care was required in the planning of new projects in view of the limited financial and technical resources of the country. The minister stressed the need for soil conservation in the catchment areas of the major irrigation projects and said that Rs 45 crores was being provided in the fifth Plan for soil conservation schemes in the central sector.

The minister observed that neither the government nor the country was receiving adequate return from the major and medium irrigation projects on which about Rs 2700 crores was invested since 1951. He added that over 16 per cent of the total irrigation potential created during the five year Plans remained unutilised and even the return from the utilised potential was also disappointing.

UN Expert Group

This country will be represented on an Expert Group of the United Nations to recommend the best way for developing countries to share their capacities and experience with one another for increased development assistance. The Group, which has been set up by the Administrator of the United Nations Development Programme under a UN General Assembly resolution, will also examine the relative possibilities and advantages of regional and inter-regional technical co-operation among developing countries. The Indian representative on the Expert Group will be Mr S. Santhi, Director of Technical Co-operation, ministry of Finance. The Group, which holds its first meeting in New York later this month.

Names in the News

The union government announced on July 5, the appointment of former **Air Chief Marshal P.C. Lal** as full time Chairman and Managing Director of Indian Airlines from August 1. He will replace **Mr N.P. Pen**, present Chairman, and **Mr S.A Hussain**, Managing Director, both of whom will relinquish their posts on July 31, when their terms of office expires.

At the recent annual general meeting of the Madras Stock Exchange Ltd, the following office-bearers were elected to the Council of Management for the year 1973-74:

Mr M.S. Sivasubramanian (M/s. Maconochie & Co.) President, **Mr K. Krishnamoorthy** (M/s Ganga & Co.) Vice President and **Mr V.K. Padmanabhan** (M/s. V.S. Krishnaswami & Co.) Treasurer.

COMPANY AFFAIRS

Madras Aluminium

MADRAS Aluminium Company Ltd has made rapid progress in the implementation of its first and second stages of its expansion to produce about 7000 to 8000 tonnes of additional metal. But the production schedule unfortunately has been upset a little due to severe power cuts. The entire expansion programme, according to current reckoning, is expected to be commissioned by the middle of next year. The company has also made a major successful breakthrough in the manufacture of rolled products by the continuous casting process and it will be in a position to market sheets and circles by the end of the current year. The company is also doing its best to assist Bharat Aluminium Company Ltd (Balco) a public sector undertaking, by offering its expertise and technical skill in meeting their requirements of some of the machinery and equipment. Some offers have already been accepted and more orders from Balco are expected to be received shortly. These were highlighted by the Managing Director, Mr R. Venkataswamy Naidu while addressing the annual general meeting of the company held recently in Coimbatore.

During 1972 the company achieved the highest production, consequent to the smelter plant operating at the optimum capacity and efficiency at over 90,000 Amps rating. The production might have been much higher but for the fact that the first stage of expansion for creating additional production capacity of almost 3500 tonnes, though ready from September 1972, could not be commissioned due to power restrictions. Since the beginning of the first quarter of 1973, the company has been facing serious problems and the plant has almost been totally shut down due to power cut. Even though the profit for 1972 is better than that of 1971, the directors have decided to skip dividends on equity and preference shares in view of the uncertain power supply position and the announcement of the Tamil Nadu government affecting the cash inflow of the company. In spite of severe cut in production from February 1973 and curtailment of cash generation, the company has been keeping up the schedule of repayment of its rupee loans. In the case of repayment of the next instalment of Mediobanca loan,the company has secured extension till December 1973. The company, it is heartening to note, has repaid up to the end of 1972 foreign exchange loans to the tune of Rs 744 lakhs apart from repaying rupee loans to the extent of Rs 105 lakhs. In addition the company has spent neary Rs 5 crores on the expansion project without raising the capital structure of the share capital Hence the built-in potential of the company is many times the invested equity. As and when the expansion is realised, the company will become a very viable unit capable of meeting international competition and will also be able to pay adequate dividends to the shareholders.

MUSCO

Despite best efforts companies which have substantial expansion programmes or new projects on hand will not be able to ensure that their schemes materialise before May, 1974—the terminal date for the withdrawal of development rebate for no fault of theirs. Consequently the companies will not be able to avail of the concessions accruing from the admissibility of development rebate. From this point of view and in the larger interests of industrial production it is desired that the terminal date be extended till May 1976. This observation is contained in the Chairman, Mr Harish Mahindra's statement circulated to the shareholders of the company.

The chairman also suggested to the government to think seriously in terms of introducing the concept of initial investment allowance which had been adopted by the government of Great Britain for a considerable number of years. This initial investment allowance can be of two types—one serving as an initial investment allowance for industries located in backward areas and the other meant exclusively for core and capital intensive industries which require long gestation period. It is felt that the government should introduce this concept in the tax structure not only to accelerate growth of industries in the backward areas but also to stimulate investments in core and capital-intensive industries.

The chairman also questioned the rationale of the government's move in imposing a fresh levy of Rs 50 per tonne plus the anciliary duty of 75 per cent on electric furnace steel in the budget for 1973-74. In the light of the sharp escalation in prices of most of the inputs of the industry, such as scrap, power, graphite electrodes and refractories it would be incorrect, the chairman emphasised, to maintain that the electric furnace industry continues to enjoy considerable advantages over the integrated steel plants.

A suggestion was also made to undertake a detailed techn economic study of the ide process or rather an ideal m of routes for attaining the st targets set for 1975 and 198 The blast furnace/open hear process, the BOF process a the electric furnace process all have their own individu merits and have been accept as viable routes of steel maki for augmenting steel produ tion in the country und certain given techno-econon conditions. It would be nec sary as such to evaluate ea process and split the targ amongst the three ma processes.

The demand for most of t company's products continu to be satisfactory througho the year and the order bo position at the end of the ye was quite comfortable. Effo are being made to cont escalating operating co despite inflationary pressu through greater operat efficiency at different lev Steps are also taken to est lish a merchandising divis and attempts are being m to acquire franchise for vari products of Pechiney Ug Kuhlmann. The company already finalised broadly terms of marketing spe carbon products of Le C bone-Lorraine in this coun Le Carbone-Lorraine is kno for its sophisticated technol for carbon blocks and carb brushes and these products being used by the defence defence oriented industr space research centres an host of other sophistica industrial units. The establ ment of the merchandis division is intended basic to have the way for dive fication and broadening the company's activities fields where sophisticated t nology of Pechiney U Kuhlmann can be deployed

Hindustan Lever

Mr V.G. Rajadhayaksha Chairman, has chosen reliance at work in Hindu Lever as his theme for his nual address to the share ders of the company. By its ports and reduction in imp the company over the last years has made a net co

bution of Rs 40 crores and it speaks volumes for the dynamic role the company is playing in the field of self-reliance It is in consumer goods that the company has made its largest and the most direct contribution towards self-reliance. Anticipating the growing shortage of soap-making oils the company has worked for several years towards a substantial and progressive replacement of laundry soaps by synthetic detergents. All the company's resources — research, development, production, buying and marketing — have had to be pressed into service to this great task. The venture was a tremendous success. As the company gained experience with the synthetic detergent powder, it developed an another alternative product which enables highly concentrated detergency to be available in the form of a synthetic laundry bar, Rin, and here too the company's efforts have been crowned with success. Even the government has recognised the significance of this valuable contribution and has declared synthetic detergents as a 'core' sector industry. Its crucial role in saving of foreign exchange can be gauged by the fact that each tonne of synthetic detergent produced saves more than one tonne of imported tallow. When the public sector detergent alkylate plant goes on stream and local phosphate manufacture has been expanded, synthetic detergents will be wholly indigenous.

On the oilseeds front, the company has pioneered the processing of forest seeds as a new source of vegetable oils and made them usable for production of good quality soaps. Further the company in association with the Vanaspati Manufacturer's Association is making a commendable attempt to the growing of sunflower seeds as there is no other oilseed which has the potential to bridge effectively the gap between supply and demand of vegetable oils. Besides the company has offered to help the government in the setting up of a plantation for producing of palm oil. The company is also playing a notable role in the sphere of poultry industry, both by producing scientifically formulated rations and by providing expert advice and encouragement, both technical and commercial, to a vast multitude of small entrepreneuers in setting up viable poultry units. By the application of its own R &D skills and by drawing heavily its free access to unilever, the company now marks available indigenously a wide spectrum of fine chemicals which were hitherto imported. In the field of basic chemicals also, the company is actively considering a major investment. Most of these chemicals are currently in short supply and hence had to be imported. The manufacture of these critical chemicals will go a long way in saving of precious foreign exchange.

Its exports have also gathered momentum over the past five years. Between 1968 and 1972 its exports have expanded at a phenomenal rate of 69 per cent (compound) per annum and this is in marked contrast to the growth rate of eight per cent per annum of the country's total export over the same period. The company's exports, it is significant to note, have grown not only in volume and value but also in the range of goods and markets, as witness in the leap in exports from Rs 1.08 crores in 1968 to Rs 8.82 crores in 1972. Its export drive is based on a multi-pronged attack makes optimum utilisation of its resources, both internal and worldwide, and there in lies the key to the company's remarkable success in the field of exports.

Sandur Manganese

Sandur Manganese and Iron Ores Ltd hopes to wipe out the entire carried forward loss of Rs 43.76 lakhs in 1973 itself in view of the improvement in the prices of manganese ore. The company is also strengthening and diversifying its activities by installing two ferrosilicon furnaces. The capital cost of the project will be Rs six crores and it will be financed to the extent of Rs 90 lakhs from internal resources and the balance of Rs 5.10 crores by the issue of fresh capital and loans from financial institutions. The foreign exchange component will be of the order of Rs 1.70 crores. The import of plant and equipment has already been cleared by the government. The two new furnaces to produce 24,000 tonnes of ferrosilicon, according to current indications, are expected to go on stream by September 1975. Thus the company can be said to have overcome its initial problems and the period of low manganese ore prices and is now poised to achieve a significant breakthrough in production and profitability both in the field of mining and electro-metallurgy. This was disclosed by the Chairman and Managing Director Mr Y.R. Ghorpade while addressing the annual general meeting of the company.

The company has had to revise its pig iron selling prices to offset to some extent the increase in the cost of raw materials especially coke and electrode paste. To further improve the economics of the furnace the company intends to concentrate on the production of special grades of pig iron including super-special grade which has a promilsing future. The company has also taken steps to install capacitor banks which will be commissioned in August this year and further improve the efficiency and the working of the furnace.

Production of manganese ore maintained its uptrend. It increased steadily from 2.34 lakh tonnes in 1970 to 2.61 lakh tonnes in 1971 and further to 2.76 lakh tonnes in 1972. The prices of manganese ore have shown a distinct improvement and the company will be exporting three lakh tonnes to Japan in 1973 on the basis of the new prices which become applicable for fresh sales. The company supplied 40,000 tonnes to iron ore to MMTC during the year and has programmed to supply about 1.5 to 2 lakh tonnes during 1973. This tonnage will be progressively stepped up in the years to come depending on the economic feasiblity, availability of transport and other facilities.

The company earned in 1972 a gross profit of Rs 37.96 lakhs before depreciation as against a loss of Rs 40.30 lakhs in 1971 due to the long shut down period. The net profit after depreciation works out to Rs 8.42 lakhs. During the year the company repaid Rs 14.45 lakhs to financial institutions. However due to devaluation of the dollar, the company's deferred payment liability has increased by Rs 7.62 lakhs. With the improvement in the manganese ore prices and the efficient working of the furnace, the financial outlook for 1973 and subsequent years is very encouraging.

Rathi Udyog

The Rathi Udyog Ltd., a New Dehi concern, is entering the market on July 19 to raise Rs 38 lakhs through the issue of 380,000 equity shares of Rs 10 each. The issue will close on July 29 or earlier on being fully subscribed but not before July 23.

The proceeds of the issue are proposed to be utilised for financing the company's project at Ghaziabad which would produce annually 40,000 tonnes of rounds, bars, channels, flats and beams, and a wide varieties of refractories. The project is estimated to cost Rs 1.24 crores. The equity capital will meet the requirements upto Rs 63 lakhs. A term loan has already been secured for Rs 60 lakhs. The balance Rs 1.18 lakhs cost is proposed to be financed through unsecured loans.

The first phase of the project was commissioned on February 5, 1973, when a 14" rolling mill was commissioned. The second phase envisages the installation of a wire rod mill and a refractory plant by the end of this year. The company had already manufactured 4,500 tonnes of ribbed bars and torsteel. During the first year of its operations ending June 30, 1973, the gross profit amounted to Rs 3.28 lakhs and the net distributable profit to Rs 1.57 lakhs. During the year ending June 30,

1974, the production is expected to go up to 24,000 tonnes of steel products and 2,400 tonnes of refractories. The gross profit is expected to grow to Rs 27.48 and the net distributable profit to around Rs 13.09 lakhs. This should enable the company to declare a dividend of 10 per cent. Production to full capacity is expected to be realised during the third year, i.e. the year ending June 30, 1975. Barring unforeseen circumstances, the company expects sufficient net profit to maintain the dividend at 12.5 per cent from the third year onwards.

The company does not visualise any difficulty in marketing its products. Electricity supplies have been promised to it by the UP Electricity Board to the full estimated requirements. It is not likely to experience any difficulties of raw materials because of its proximity to three mini-steel plants which are already in operation. Very shortly, a fourth one is expected to be commissioned. Messrs Rathi Ispat Ltd, have assured the company that they would supply to it ingots in case it is not able to procure the same in the market.

Unit Trust

The Unit Trust of India has fixed the special offer price of units at Rs. 10.45 for the month of July. The sale of units which remained suspended during the month of June, were resumed from July 2 at the special price of Rs 10.45 per unit. There will be no repurchases of units during the special offer period which terminates on July 31, 1973.

News and Notes

(*Expansion and diversification*)

Premier Tyres has embarked on a massive expansion programme aimed at doubling of the cpacity to six lakh automobile tyres and tubes per annum. The programme, to be completed in about 18 months', is estimated to cost Rs five crores including the foreign exchange component of about Rs 2.5 crores. The company has negotiated for a loan of Rs 1.60 crores from the ICICI. The balance will be met by loans from financial institutions and internal resources. The management does not propose to raise any fresh capital for financing the expansion programme. During 1972-73 the company produced 3.40 lakh automobile tyres and 3.28 lakhs tubes against 3.49 lakh tyres and 3.10 lakh tubes in the previous year. The working of the company during the current year is so far satisfactory. According to current indications, the company's turnover during 1973-74 is expected to be Rs four crores more than in the previous year.

New Issue

Welcast Steels Ltd. is offering to the public for subscription 1,92,000 equity shares of Rs 10 each at par. The subscription list opens on July 18 and will close on July 28 or earlier but not before July 20. The company is setting up a plant at Bangalore for manufacturing 6000 tonnes per annum of alloy steel grinding media balls which are used in industries such as cement. The company will be the first unit to manufacture alloy steel grinding media in south India. The plant is expected to commence commercial production in January 1974. The company has an issued capital of Rs 32 lakhs divided into 3,20,000 equity share of Rs 10 each. Out of this, the promoters and directors have subscribed to equity shares worth Rs 12.80 lakhs. The remaining equity capital of Rs 19.20 lakhs are now being offered for public subscription. The entire public issue is underwritten. The capital outlay on the project is estimate at Rs 80 lakhs and will be financed by the share capital of Rs 32 lakhs, a loan of Rs 46.75 lakhs from the IFC and deferred payments of Rs 1.25 lakhs. The company expects to produce about 4,500 tonnes of grinding media balls in 1974 and 6000 tonnes in the following year. The company has plans to double its capacity to 12,000 tonnes a year in the fourth year of its operations. The company hopes to declare a maiden dividend of 10 per cent from the first year of its working. The response to the public issue is expected to be excellent. First the demand for the company's products will be quite good in view of the substantial expansion schemes of the cement and other industries. Besides the company is managed by a team of technocrats who have considerable experience in this field.

Licences and Letters of Intent

The following licences and letters of intent were issued under the Industries (Development and Regulation) Act 1951. during the four weeks ended April 28, 1973. The list contains the names and addresses of the licensees, articles of manufacture, types of licences -New Article (NA); Substantial Expansion (SE); New Undertaking (NU); Carry on Business (COB); Shifting—and installed capacity.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Welding Rods Mfg. Co.; Industrial Estate, Udhana (Surat) (Udhana-Gujarat) — Welding Electrodes — 120 million running feet — (SE); M/s Tinplate Co. of India Ltd; 4, Bankshall Street, Calcutta-1. (Golmuri - Bihar) — Tinplate/ Tin Free Steel — 90,000 tonnes (The overall capacity of the undertaking after the expansion will be 1,60,000 tonnes p.a. including a capacity of 70,000

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher dividend			
New Commercial Mills	March 31, 1973	12.0	Nil
Kunal Engineering	March 31, 1973	15.0	12.0
Sri Ramakrishna Steel Industries	March 31, 1973	12.0	10.0
Thanjavur Textiles	March 31, 1973	12.0	9.0
Upper Doab Sugar Mills	September 30, 1972	25.0	17.5
Hindustan Sanitarywares	March 31, 1973	12.0	10.0
Lingapur Estates	March 31, 1973	20.0	12.0
Wartyhully Estates	March 31, 1973	20.0	12.0
Lakshmi Mills	March 31, 1973	15.0	10.0
Same dividend			
Bharat Steel Tubes	March 31, 1973	12.0	12.0
Radha Krishna Mills	December 31, 1972	10.0	10.0
Raja Bahadur Motilal Poona Mills	December 31, 1972	8.0	8.0
Velimalai Rubber Company	February 28, 1973	16.0	16.0
Indian Cable Company	March 31, 1973	15.0	15.0
Cellulose Products	March 31, 1973	14.0*	14.0

* On enlarged capital

tonnes p.a. for tinplate only (SE).

Metallurgical Industries (Non-Ferrous)

M/s Bharat Aluminium Industry: Karva Bhavan, Nasik Road: Maharashtra. (Nasik Road-Maharashtra) — Aluminium Collapsible Tubes—18 million nos. —(NA).

Electrical Equipment

M/s Mahindra & Mahindra Ltd; Gateway Building, Apollo Bunder, Bombay-1. (Bombay-Maharashtra) — Rectangular Multipin Connectors — 2,00,000 nos. — (NA).

Telecommunication

M/s Bharat Electronics Ltd; Jalahalli P.O., Bangalore-13. (Bangalore-Mysore) — Integrated Circuits — 2.0 million nos. — (NA).

Transportation

M/s Bharat Earth Movers Ltd; Bangalore-17. (Bangalore-Mysore) — Rail Coaches & Rolling Stock — 400 nos. — (SE); M/s Rane (Madras) Ltd; 47, Velacheri Road, Madras-32. (Madras-Tamil Nadu) — Steering Gears — 60,000 nos. — (NA).

Industrial Machinery

M/s S.L.M. Maneklal Industries Ltd; Vasvani Mansions, Dinshaw Wachha Road, Bombay-1. (Ahmedabad-Gujarat) — Rotary Air Compressors above 1000 cfm upto 4,000 cfm at a pressure not exceeding 10 at 80 m. — (SE); M/s Indian Crane Co. Ltd; P.O. Box No. 615, Calcutta-1. (Kamarhatty-West Bengal) — Coles Endurance 30-T (Truck & Mobile version) — 26 nos.; Coles Hydro Truck 150 T—104 nos.; Coles Hydro Speed Cranes 7-T —52 nos.; Coles Hydro Truck 70-T — 62 nos.; Coles Lorry Loader (Hydraulic 3 ton capacity) — 240 nos. — (NA); M/s Bharat Pumps & Compressors Ltd; 10/15, Hashimpur Road, Allahabad. (Naini-Uttar Pradesh) — Process Reciprocating Compressors — 3,100 tonnes — (NU)

M/s Grindwell Norton Ltd; Shri Niketan, 'F', Shiv Sagar Estate, Worli, Bombay-28. (Bombay - Maharashtra) — Coated Abrasives Disc — 12 lakhs pieces. — (COB).

Earthmoving Machinery

M/s Kirloskar Oil Engines Ltd; Elphinstone Road, Poona-3. (Poona-Maharashtra)— Road Rollers (Upto 20 tonnes capacity) — 1,500 nos. —(NA).

Commercial Equipment

M/s Electronic Corpn. of India Ltd; Industrial Development Area, Cherlapalli, Hyderabad-40. (Hyderabad - Andhra Pradesh) — Electronic Desk Calculators — 3,000 nos. — (NA).

Chemicals

M/s Superior Air Products Ltd; 89, Jor Bagh, New Delhi. (Ballabhgarh-Haryana) — Oxygen (Liquid & Gaseous) — 15,00,000 cu.m.; Argon Gas — 50,000 cu.m.; Liquid Nitrogen — 50,000 cu.m.; Dissolved Acetylene Gas — 1,00,000 cu.m.; Nitrous Oxide — 100 tonnes — (NU). M/s Yamuna Gases Pvt. Ltd; Road No. 4, Kothi No. 16, Punjabi Bagh East, Delhi-26. (Jagadhri-Haryana) — Oxygen Gas — 0.45 cu.m.; Acetylene Gas — 0.10 m.cm — (NU); M/s Polyolefins Industries Ltd; Mafatlal Centre, Nariman Point, Bombay-1. BR. (Thana-Maharashtra) — High Density Polyethylene — 30,000 tonnes after expansion — (SE); M/s Shree Synthetics Ltd; A-I/104, Safdarjang Enclave, New Delhi. (Ujjain - MP) — Polyester Filament Yarn — 270 tonnes — (COB);M/s Hindustan Heavy Chemicals Ltd; 15, G.T. Road Khardah, 24, Parganas, West Bengal. (24, Parganas - West Bengal) — Caustic Soda — 2,750 tonnes; Chlorine — 1,750 tonnes; Hydrochloric Acid—100% — 1,000 tonnes — (SE).

Drugs & Pharmaceuticals

M/s Ciba of India Ltd; Royal Insurance Building, 14-J, Tata Road, Bombay-30. (Goa) —Rutin (Viamin-P) — 50 tonnes — (NA); M/s German Remedies Pvt. Ltd; Shiv Sagar Estate, Block 'A', Dr. Annie Besant Road, Worli, Bombay 18. (Bombay-Maharashtra) — Xantinol Nicotinate — 12 tonnes (NA); Complamina Tablets — 2.4 million — (SE).; M/s Boehringer Knoll Ltd; United India Bldg; P. Mehta Road, Bombay-16. (Bombay - Maharashtra) — Euglucon Tables (Glybanclamide) — (15.5 million, — (NA).

Textiles

M/s National Rayon Corpn. Ltd; Ewart House, Bruce Street, Fort, Bombay-1. BR. (Bombay-Maharashtra) — Rayon Tyre Yarn Fabrics — 2492 tonnes only — (COB); M/s Century Spg. Mfg. Co. Ltd; 'Century Bhavan', Dr. Annie Besant Road, Worli, Bombay-25. DD. (Bombay - Maharashtra) — Rayon Tyre Yarn Fabrics — 3,400 tonnes — (COB); The Delhi Cloth & General Mills Co. Ltd; 'Akash Deep', Floor, Barakhamba Road, N Delhi-1. (Kota-Rajasthan) Rayon Tyre Yarn Fabrics 2320 tonnes—(COB); T Director of Industries, Manip State, Imphal, (Manipur Sp ning Mills). (Imphal—Ma pur)—Cotton Yarn — 25,5 spindles — (NU); M/s Indi Narrow Fabrics Co.; Op Killick Industries, Vihar La Road, Saki Naka, Bo bay. (Bombay - Maharasht — Elastic Tapes/Webbings covered Rubber yarn—40 ta looms—(COB); M/s Nirl Synthetic Fibres & Chemic Ltd; 115, Mahatma Gand Rd; 870, Bombay-1. (Bombay Maharashtra) — Nylon Ty Yarn Fabrics — 1,150 tonn only — (NA); Shri N. Ram swamy, No. 27/A, Edwa

Elliots Road, Mylapore, Madras-4. (Ramanathapuram-Tamil Nadu) — Cotton Yarn 25,000 spindles — (NU).

Sugar

M/s The Panipat Cooperative Sugar Mills Ltd; Panipat, Haryana. (Panipat - Karnal-Haryana) — Sugar — 2,500 tonnes per day crushing capacity after expansion — (SE).

Rubber Goods

M/s Bharat Rubber Regenerating Co. Ltd; 4, Middleton Street, Calcutta-16. (Adityapur Bihar) — Re-generated Rubber — 2,400 tonnes — (NU).

Glass

. M/s Fibreglass Pilkington Ltd; 9, Wallace Street, Bombay. (Thana-Maharashtra) — Glass Textiles & Glass Reinforcements (Glass Fibre & Continuous Filament Yarn) — 1,000 tonnes — (SE).

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Kidarson Ind. Pvt. Ltd; Allahabad Bank Bldg; 17, Parliament Street, New Delhi. (Haryana) High Carbon & Mild Steel strips — 12,000 tonncs — (NU); — M/s Jotendra Steel & Tubes Ltd; Surekha Building, Shardanand Marg, Delhi-1. (Ballabgarh - Haryana) — Castelled Beams — 10,000 tonnes; Broad Flanged Beams, T-Section & Connected Fabrication — 6,000 tonnes; Structural Fabrications—8,000 tonnes — (NU); M/s Mahindra Ugine Steel Company Ltd; 14, Altamount Road, Bombay-26. (Kolaba - Maharashtra) — High Speed Steel & Stainless Steel Bars, Rods & other shaped products — 2,500 tonnes; Carbon Steel Black — 10,000 tonnes; Carbon steel Bright — 2,000 tonnes; Alloy Constructional Steel Black — 39,500 tonnes; Tool Steel—3,000 tonnes; Alloy Steel Bright 3,000 tonnes; Total — 60,000 tonnes — (SE). M/s Wyman Gordon India Ltd; P.B. No. 41, Off: Pokhram Road, Majwade, Thana. (Thana - Maharashtra) — Steel Forgings — 15,000 tonnes — (SE); M/s Modi Arc Electrodes Co., Modinagar, (Modinagar-UP) —Arc Welding Electrodes — 125 m.r.f. — (SE).

Metallurgical Industries (Non-Ferrous)

The Chairman-*Cum*-Managing Director, Hindustan Copper Limited; Industry House, 10, Camac Street, Calcutta. (Ghatsila - West Bengal) — Silver — 1,000 Kgs; Gold — 100 Kgs. — (NA); The Mysore State Industrial & Development Corpn. Ltd; 36, Cunningam Road, Bangalore-I.B. (Mysore) — Magnesium Metal 3,000 tonnes — (NU).

Electrical Equipment

Shri N. C. Jain, 28, New Rohtak Road, New Delhi-5. (Ghaziabad - UP) — Glow Lamps for Starters — 7.2 million nos. — NU); Shri P. J. Hora, c/o Sudhir Dalal, Prabhu Kutir, 15, Altamount Road, Bombay-26. (Baroda-Gujarat) — Glow Lamps—7.2 m. nos. — (NU); M/s International Electric & Lamp Caps Company; 304, Mysore Road, Bangalore-26. (Mysore) —Bayonet Caps — 60 m.nos.; Screw type caps — 11 m. nos. —(NU); M/s Transformers & Electricals Kerala Ltd; Angamally P.O., Ernakulam Distt: (Angamally - Kerala) — Power Transformers upto 400 KV — 3000 MVA.; Current & Potential Transformers upto 400 KV —1000 nos.; Bushings and on load tap changers — to the extent of captive consumption —(SE); M/s J.K. Shippy; 12, Circuit House Area East, Jamshedpur. (Adityapur-Bihar) — Single stages team turbines upto 250 HP — 35 nos; Single stage steam turbines upto 850 HP—80 nos.; Multistage steem turbines upto 2000 HP for general purposes mechanical drive upto 6000 nos. m. — (NU); M/s Standard Capacitors, Plot No. 909, Bombay-Poona Road, Pimpri, Poona-18. (Ratnagiri - Maharashtra) — Metallized paper capacitors — 3 million nos; Metallized Lacquer Film Capacitors & Metallized Polyester & Polycarbonate Film Capacitors — 6 m. nos. — (NU); Shri B. N. Patodia, 11/1, Heyashan Road, Calcutta-20. (UP/Haryana / Delhi) — Metallic Precision Springs — 560 tonnes — (NU); M/s Asian Electronics Ltd; 'Handloom House', 3rd Floor, 221, Dr. D.N. Road, Post Box No. 1863, Bombay-1. (Nasik-Maharashtra) — Interference Suppression Capacitor for Industrial & Domestic Appliances — 5 lakh nos.; Paper & paper mixed Dielectric capacitors below 20 mfd—3 mill. nos. — (NU); M/s Metal Lamp Caps (India) Pvt. Ltd; 2, Murphy Road, Post Bag No. 876, Ulsoor, Bangalore-8. (Bangalore-Mysore) — Standard Bayonet Caps — 80 mill. nos.; Caps for miniature Lamps — 20 mill. nos.; Caps for Fluorescent Lamps— 15 mill. nos. — (SE); M/s Standard Batteries Ltd; (Oldham Division), P.B. No. 2635, Madras-32. (Tamil Nadu) — Krypton Filled Miner's Cap Lamps — 1 mill. nos.—(SE); M/s Nitin Casting Pvt. Ltd; Eastern Express Highway, Thana-6. (Thana - Maharashtra) — Heat Resisting Parts for Furnaces—120 tonnes — (NA); Shri Ramesh Kumar Sharma; 67, Park Street, Flat No. (B-8), Calcutta-16. (Delhi) — Electric Lamp Caps (B-22) Bayonet Caps in Aluminium — 60 mill. nos. — (NU).

Telecommunication

M/s D'Souza & Rao; 75, Sarojini Devi Road, Secundeabad. (Nalgonda - Andhra Pradesh) — Polyester/Polyesterene Film Capacitors — 10 mill. nos. (NU); Shri U.T. Kapadia, 10, Bruce Street, 2nd Floor, Fort, Bombay. (Maharashtra - Gujarat-Andhra Pradesh - Haryana - Madhya Pradesh) — Gang Condensors — 6 lakh nos. — (NU); Shri Dinesh C. Gupta; E-13, Dattaguru Society, Deonar Village Road, Bombay. (Maharashtra-Gujarat - Mysore - Delhi) — — Silicon Slices (Expataxial & nod-expitaxial type)— 0.1 million; Integrated Circuits Transformers (Circuits or Devices)—3.0 million nos. — (NA); M/s Satish Kaura, c/o Mr V. K. Sarin, A-68, N.D.S.E., Part-II, New Delhi. (State not indicated)— Black & White Television Picture Tubes — 40,000 nos — (NU); Dr. M.V. Joshi; C-10, Maharani Bagh, New Delhi-14. (Nasik-Maharashtra) — Numerical Indicator Tubes — 3.60 lakhs.—(NU).

Transportation

M/s Satellite Engg. Ltd; P.O. Maize Products, Kathwada, Ahmedabad (Kanthwada Gujarat) Pistons — 6 lakhs; Piston Rings — 30 lakhs; Gudgeon Pins — 7 lakhs —(NU); M/s Kidarsons Inds. Pvt. Ltd; Allahabad Bank Bldg; 17, Parliament Street, New Delhi. (Faridabad-Haryana) — Crown Wheels & Pinions (Differential) — 300 tonnes; Gears — 150 tonnes; Crankshafts — 6,000 nos; Camshafts — 9,000 nos; Connecting Roads — 18,000 nos; Bush Bearing — 30,000 nos; Bearing Housing — 30,000 nos. — (NU); M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr. D.N. Road, P.O. No 1863, Bombay-1. (Nasik - Maharashtra) — T.V. Picture Tubes — 20,000 nos—(NA); M/s Casablancas Ganon Engg. Ltd; I-A.A. Hariali, Opp: I.N.D. Colony, Bombay-Agra Road, Bhandup, Bombay-78. (Bhandup-Maharashtra) — Complete High Drafting Equipment — 2,000 Nos—(NA).

Industrial Machinery

M/s Zell-Ate Ltd; Indian Globe Chambers, 1st Floor, Fort, Bombay-I. (Poona-Maharashtra) — Tops for carding engines — 2,400 sets.—(NA).

Machinery

M/s S.R.P. Tools Ltd; Lattice Bridge, Madras-I. (Madras-Tamil Nadu)—Gear Hubs — 4,000 nos; Gear Shoping & Shaving cutters — 5,000 nos; Broaches — 2,000 nos. — (SE); M/s Ingersoll Rand (India) Pvt. Ltd; 44, Abdul Gaffar Road, Worli, Bombay-18. (Ahmedabad-Gujarat) — ESV Air Compressors (Capacity 106 cft/Min. — 324 nos; ESV Air Compressors — Capacity 200 cft/Min. — 324 nos after expansion — (SE); M/s India Meters Ltd; Plot No 14, Industrial Estate, Ambattur, Madras-58. (Ambattur - T -

Nadu) — Maximum Demand Indicators — 5,000 nos — (NA).

Machine Tools

M/s Metro Wood & Engg. Works Pvt Ltd; NK-House, Ashram Road; Navrangpura, Ahmedabad-9. (Kalol - Gujarat) — Extruders for PVC — 24 nos — (NA); M/s Ralliwolf Ltd; Lal Bahadur Shastri Marg; Post Box No. 7758, Mulund, Bombay - 80 NB. (Bombay-Maharashtra)—Portable Electric Tools — 45,000 nos; Drill Stands — 3,900 nos —(SE); M/s Hindustan Machine Tools Ltd; P.O. HMT, Bangalore. (Pinjore-Haryana) — Electric Discharge Machine — 50 nos; Gear Testing Machines — 100 nos; Coordinate Measuring Machines — 30 nos — (NA); M/s Kulkarni Engg Assocciates Pvt Ltd; Industrial Estate, Sangli, Maharashtra. (Kolhapur - Maharashtra) — Portable Electric & Pneumatic Tools — 20,000 nos — (NU); M/s New Allenbery Works; (Prop: Deepak Industries Ltd; 14/7 Mathura Road, Faridabad. (Faridabad - Haryana) — Crankshaft Regrinding Machines — 25 nos — (NA).

Agricultural Machinery

Shri V.A. Kumar; 401, Akash Deep, Barakhamba Road, New Delhi. (Uttar Pradesh) — Belt Pulleys for Agricultural Tractors — 10,000 nos. — (NU).

Commercial & Household Equipment

Shri Dinesh C. Gupta; E-13, Dattaguru Society, Deonar Village Road, Bombay. (state not indicated) — Electronic Desk Calculators — 2,000 nos — (NU).

Chemicals

M/s Hindustan Insecticides Ltd; E-3, Ring Road, Defence Colony, New Delhi-24. (Maharashtra) — Malathion Technical — 1,200 tonnes — (NA); M/s Indo Berolina Industries Pvt Ltd; I.B.I. House, S-86, Andheri-Kurla Road, Bombay-59. (Tamil Nadu) — Phthalic Anhydride — 5,000 tonnes — (NU); Shri R.K. Raman; Chemical Engineer-42/19, Harrington Road, Chetput, Madras-31. (Tamil Nadu) — Caustic Soda — 33,000 tonnes — (NU); Shri Krishna Kishore Kar, 1, Lindsay Street, Calcutta-16. (West Bengal) — Caustic Soda — 30,000 tonnes — (NU); Shri Basudeo Kanoria, 9, Brabourne Road, Calcutta-1. (Rajasthan) — Caustic Soda — 33,000 tonnes — (NU); M/s The Baroda Rayon Corpn. Ltd; Great Western Bldg; 130-132, Apollo Street, Fort, Bombay-1. (Udhna- Gujarat) — Nylon Tyre Cord — 2,000 tonnes — (NA); M/s Fertilizers & Chemicals Travancore Ltd; Udyogmandal P.O., Kerala. (Kerala) — Caustic Soda — 33,000 tonnes —(NU); M/s Saurashtra Cement Chemical Industries Ltd; Near Railway Station, Ranavav-2. (Gujarat) — Caustic Soda — 33,000 tonnes — (NU); M/s The Baroda Rayon Corpn. Ltd; Grant Western Bldg; 1st Floor, 130-132, Apollo Street, Fort, Bombay-1. (Gujarat) — Caustic Soda — 33,000 tonnes — (NU); Shri Binod K. Kanoria, 23, Old Ballygunge Road, Calcutta-19. (Mysore) — Caustic Soda — 33,000 tonnes — (NU); M/s UP State Industrial Development Corpn. Ltd; Directorate of Industries Building, 117/420, G.T. Road, Kanpur-2, (Uttar Pradesh)—Caustic Soda — 33,000 tonnes — (NU); M/s Deccan Sales Corpn. Ltd; "Jamunotry", 26th Road, Bandra, Bombay-50. (Maharashtra) — Caustic Soda — 33,000 tonnes — (NU); Shri Hari Prasad Gupta, 98, N.C. Block-'E', Calcutta-53. (West Bengal) — Rigid PVC Blown Film — 100 tonnes; Polyethylene Air Cushion Film—288 tonnes; HDPE Box Strappings — (NU); M/s Jajodia (Overseas) Pvt Ltd; 4, Ganesh Chandra Avenue, PB No 8849, Calcutta-13. (West Bengal) — PVC Rigid/Flexible Sheets (supported & Un-supported) — 4300 tonnes — (NU); The Fertilizer Corpn. of India Ltd; 1F-43, South Extn. Part-I, Ring Road, New Delhi-49. (Sindri-Bihar) — Guanidine Nitrate — 1000 tonnes — (NA); M/s Kusum Products Ltd; Rishra, Dist: Hooghly, West Bengal. (West Bengal) — Synthetic Detergents — 10,000 tonnes after expansion — (SE).

Fermentation Industries

M/s Bihar State Industrial Development Corpn. Ltd; Pundichalk, Patna-1. (Bihar) — Beer — 50,000 H.L. — (NU).

Food Processing Industries

Shri Warand Sahakari Dudh Utpadak Prakriya Sangh Ltd; Warananagar, Tehsil Panhala, Dist. Kolhapur. (Maharashtra) — Skim Milk Powder & Shole Milk Powder — 2,000 tonnes — (NU); Smt. patasidevi Kanwatiya & Shri Prithviraj Kanwatiya; c/o Shri Haribux Kanwatiya, 89, Water Works Road, Jamshedpur. (Bokora-Bihar) — Wheat Products — 30,000 tonnes — (NU); Shri B.H. Krishna; Consulting Chemical Engineer, 51, 18th Cross Road, Mallleswaram, Bangalore-3. (Bangalore-Mysore) — Bangalore Blue Grape Concentrate—200 tonnes; Tamarind Concentrate — 380 tonnes; Spices Concentrates—12 tonnes—(NU).

Rubber Goods

M/s Fanner Cockill Ltd; Post Box No 117, Madurai-1. (Madurai - Tamil Nadu) — Fenaplast PVC Impregnated Flame Resisting Colliery Conveyor Beltings — 76,200 running metres after expansion (SE); Fenaplast Supergrade Conveyor Belting — 1,21,920 metres —(NA); M/s Dunlop India Ltd; 62-A, Mirza Ghalib Street, Calcutta-16. (Ambattur-Tamil Nadu) — Tyres for buses & trucks — 200,000 nos; Tubes for buses & trucks — 200,000 nos — (SE); The Kerala State Industrial Development Corpn Ltd; "Vellayamoalam", Trivendrum. (Kerala) — Rubber Threads of: Fine counts round section above 60 counts — 300 tonnes; Medium counts between 60s and 90s — 200 tonnes; Course Counts — 600 tonnes — (NU); M/s Swastic Rubber Products Ltd; Behind Kirkee Railway Station, Poona-3. (Poona-Maharashtra) — Reclaimed Rubber — 1,800 tonnes (NA); M/s Swastic Rubber Products Ltd; Behind Kirkee Railway Station, Poona-3. (Poona-Maharashtra) — Rubber Hoses of various types — 900,000 lakhs after expansion. —(SE).

Leather Goods

M/s Shyam Prasad Murarka 7, Lyons Range, Calcutta- (West Bengal) — Leather for shoe uppers — 11,04,000 sq. ft.; Garment Leather — 16,56,000 sq. ft. (NU).

Licences Revoked or Surrendered

(Information pertains to particular licences only)

M/s Harnarain Gopinath General Foods Ltd; 18-A Connaught Place, New Delhi — Fruit & Vegetable Products; M/s Hindustan Brown Boveri Ltd; 'Brown Boveri House', 264/265, Dr Annie Besant Road, Bombay-25 DD —ACSR Conductors.

Change in Names of Owners/Undertakings

(Information pertains to particular licences only).

From Shri K.Y. Kotak Bombay. to M/s Kotak Extrusions (P) Ltd, Flat No 3, Dariya Mahal, 80, Napean Sea Road, Bombay-6.; From M/s The Ananta Mills Ltd; c/o The Ahmedabad Laxmi Cotton Mills Co. Ltd; Ahmedabad. to M/s Anil Synthetics Ltd; Rakhial Road, Ahmedabad-23.; From M/s The Bhor Industries Pvt Ltd, Bombay. to M/s The Bhor Industries Ltd; Bombay; From M/s Bhadra Spinning Mills (P) Ltd; Bangalore to M/s Subhadra Textiles Pvt Ltd; Magad Road, Dassarahalli, Bangalore-10; From M/s Devidayal Cable Industries Ltd to M/s M/s Devidayal Electronics & Wires Ltd; from The Salar Jung Sugar Mills Ltd; Industrial Area, Azamabad, Hyderabad-DN to The Salar Jung Sugar Mills (A Division of the India Sugars & Refineries Ltd); Munirabad; From Shri D.N. Patodia, N-108, Panchshil Park, New Delhi-17 to M/s Control Electronics (P) Ltd; Calcutta; From M/s Associated Battery Makers (Eastern) Ltd to M/s Chloride India Ltd 3-E-1, Jhandewala Extension, Link Road, New Delhi-55


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RECORDS AND STATISTICS

National small savings

Mrs Sushila Rohatgi, deputy Finance minister in the central government, stated at a press conference held in the capital on June 29, 1973 that during the past three years, the national savings movement has taken rapid strides resulting in the attainment of an all-time peak of net collections at Rs 351 crores in 1972-73. The savings movement was energised during 1972-73 through some new schemes. The first scheme sought the services of women social workers for mobilising savings of the urban household sector. in the very first year, no less than 2,500 women workers were employed for this purpose. The second scheme employed university students in spare time for the national savings movement. More than 3,200 students from 500 colleges are already engaged in this task. The third scheme has been designed to improve deposits in the post office savings by providing incentives to village postmasters.

The state-wise distribution of net small savings collections in 1972-73 indicated that West Bengal was on top with a collection of Rs 60.87 crores, followed by Maharashtra at Rs 54.59 crores, Uttar Pradesh at Rs 48.32 crores and Bihar at Rs 30.54 crores. Post office time deposits were the most popular mode of saving followed by post office savings accounts and national savings certificates. Given below is the handout release at the press conference which clearly shows the progress made by the small savings movement in this country during the last two years particularly.

In 1972-73 National Savings made a 'hat-trick' in net collections. From Rs 188 crores in 1970-71, which was in itself a record, the collections rose to Rs 227 crores in 1971-72 and to Rs 351 crores in 1972-73.

Two outstanding events during 1972-73 were the introduction of schemes to induct a new blood and vigour into the savings movement. One of these schemes, the Mahila Pradhan Bachat Yojana, aims at utilising the services of women social workers to canvass the savings of the urban household sector. The scheme was inaugurated by the prime minister on April 1, 1972. In the very first year, over 2,500 women workers have been placed in the field.

The other scheme brings in the university students to work for National Savings in their spare time. They visit the slums and the villages and educate the low-income groups in thrift and money management. Over 3,200 students in 500 colleges are now actually engaged in this volunteer work.

An important step towards intensive coverage of rural savings was provision of incentives to over 70,000 village Post Masters to convass for long-term savings and to improve the deposits in the Post Office Savings Bank. In the very first year, they brought in Rs 1.06 crores in long-term savings.

During 1971-72, National

State-wise Details of Net Small Savings Collections

(Rs crores)

Sl. No.		1971-72	1972-73
1.	Andhra Pradesh	2.93	10.09
2.	Assam	8.49	7.49
3.	Manipur	0.12	0.12
4.	Nagaland	0.10	0.01
5.	Tripura	0.36	0.29
6.	Bihar	20.71	30.54
7.	Delhi	8.78	14.12
8.	Goa	0.10	0.15
9.	Gujarat	13.43	18.04
10.	Jammu & Kashmir	1.35	3.15
11.	Kerala	3.60	5.51
12.	Tamil Nadu	13.02	23.04
13.	Madhya Pradesh	7.65	14.98
14.	Maharashtra	47.05	54.59
15.	Mysore	9.54	11.62
16.	Orissa	7.10	7.35
17.	Punjab	10.69	9.69
18.	Himachal Pradesh	2.20	3.30
19.	Haryana	—8.32	21.83
20.	Chandigarh	—0.07	0.27
21.	Rajasthan	5.58	5.82
22.	Uttar Pradesh	37.04	48.32
23.	West Bengal	34.10	60.87
	Total	225.70	351.19

Security-wise Details of Net Small Savings Collections

(Rs in crores)

Sl. No.	Security	1971-72	1972-73
1.	Post Office Savings Bank	54.31	79.06
2.	Cumulative Time Deposits	17.22	11.33
3.	Post Office Recurring Deposits	6.13	15.19
4.	Post Office Time Deposits	141.58	246.24
5.	Public Provident Fund	3.14	0.44 (upto 6/72)
6.	National Savings Certificate (II Issue)	51.94	39.66
7.	National Savings Certificate (III Issue)	7.48	4.45
8.	National Savings Certificate (IV Issue)	37.20	27.70
9.	Encashment of Old Certificates	—93.30	—72.88
	Total	225.70	351.19

Savings (Rs 227 crores) accounted for about 10 per cent of the savings in the household sector (Rs 2,430 crores). In 1972-73, the percentage rose to about 13.

National Savings account for 22 per cent of the total internal debt of the country (Rs 12,580 crores).

The percentage of regular savers rose from six per cent of the population in 1971-72 to 7.16 per cent in 1972-73. 29 per cent of the families in the country are regular savers under the National Savings Schemes.

The total outstandings in National Savings Securities stood at Rs 2,800 crores at the end of March, 1973. Comparable figures for other thrift institutions are: Life Insurance Corporation Rs 2,300 crores approx, commercial banks: Rs 2.067 crores and Unit Trust of India: Rs 125 crores approx.

Of Rs 351 crores collected in 1972-73, Rs 173.30 (49 per cent) came from individuals and Rs 178.28 crores (51 per cent) from institutional savings--mostly Provident Funds.

The national percentage of net to gross collections improved from 24.93 in 1971-72 to 33.71 in 1972-73.

West Bengal leads all states with Rs 61 crores, followed by Maharashtra (Rs 55 crores), Uttar Pradesh (Rs 48 crores) and Bihar (Rs 30 crores).

Two-thirds of the net collections are given to state governments as loans for their development schemes. This assistance rose from Rs 151 crores in 1971-72 to Rs 177 crores in 1972-73. Based on the collections in 1972-73, the loan assistance in the current year will be about Rs 235 crores. The states of West Bengal, Mysore and Madhya Pradesh will receive additional loans, because their percentage of net to gross collections has exceeded the national average by over five per cent.

Over one lakh social workers, volunteers and authorised agents are engaged in the field to mobilise the people's savings. Authorised agents collected Rs 78 crores in 1972-73 against Rs 66 crores in 1971-72 and Rs 36 crores in 1970-71. Savings group leaders managed over 41,000 Pay Roll Savings Groups in places of work. The membership of these groups rose by 30 lakhs during the year and the monthly savings by Rs 50 lakhs to Rs 2.90 crores.

All public sector undertakings are covered by the Pay Roll Savings Scheme. Among them, the Bhilai Steel Plant takes the place of pride, all its 40,000 employees being regular savers. This makes Bhilai the largest Pay Roll Savings Group in Asia. In the private sector, TISCO, Jamshedpur, leads with 26,000 members.

With a view to rationalizing the different kinds of Small Savings Certificates and deposit accounts, a few important steps have been taken.

(i) The rate of interest on the 15-year Public Provident Fund Scheme has been increased from 5.0 per cent per annum to 5.3 per cent per annum with effect from the April 1, 1973. This rate is now on par with that allowed on the General Provident Fund.

(ii) After the introduction of the 5-year Post Office Recurring Deposit Scheme, which carries a higher taxable rate of 6.75 per cent per annum, the 5-Year Cumulative Time Deposit Scheme offering 4.75 per cent is being withdrawn from th[e] October 1, 1973. Similar[ly] in view of the Public Prov[i]dent Fund Scheme, which offer[s] 5.3 per cent, the 15-Yea[r] Cumulative Time Depos[it] offering 5 per cent is bein[g] withdrawn from the same dat[e]. With these changes there wi[ll] now be three schemes for regu[]lar savers, viz. 5-Year Re[]curring Deposit, 10-Year Cumu[]lative Time Deposit and 1[5-]Year Public Provident Fund.

(iii) A new 2-Year Po[st] Office Time Deposit with 7 pe[r] cent taxable interest is bein[g] introduced with effect fro[m] the August 1, 1973.

(iv) A new 7-year Nationa[l] Savings Certificate on which th[e] principal and taxable interest a[t] 7.5 per cent per annum will b[e] payable at maturity is bein[g] introduced with effect from th[e] October 1, 1973. A sum o[f] Rs 100 deposited under th[e] scheme will grow to Rs 166 a[t] the end of 7 years.

Power development during fifth Plan

THE FOURTH five-year Plan envisaged augmentation of installed generating capacity from 14.3 million kW to 23.1 million kW by commissioning of 9.2 million kW of additional capacity and allowing for retirement of 0.4 million kW of old and obsolete generating plants. Reviews carried and recently indicate that there may be a shortfall of about 3 to 3.5 million kW in the fourth five-year Plan target.

Studies carried-out by the ministry of Irrigation and Power point to the need for augmenting the installed generating capacity in the country to about 40 million kW at the end of the fifth five-year Plan. While this target is considered essential in the context of providing power supply with an acceptable degree of reliability and quality, a plan for 38 million kW at the end of the fifth five-year Plan is drawn up as the immediate objective for implementation. It is essential that every step is taken to ensure that the schemes for increasing the installed generating capacity by about 18 million kW during the fifth five-year Plan are indentified, sanctioned in time, provided with necessary funds progressed and monitored continuously so that the targets are realised in time. In this context, an exercise has been carried out in the ministry of Irrigation & Power and the schemes to be commissioned during the fifth five-year Plan have been identified and clasified under the following four categories:

Schemes under construction.

Sanctioned schemes on which construction is to be started.

Schemes approved by Technical Advisory Committee but yet to be sanctioned by the Planning Commission.

Schemes yet to be processed through the Technical Advisory Committee.

The benefits from the various categories of schemes and the funds required for them during the fifth five-year Plan are indicated in the tables below. It has to de noted that these tables do not include funds required for (i) Schemes under construction which would yield benefits during the fourth five-year Plan, (ii) Schemes under construction which would yield benefits during the sixth five-year Plan and (iii) Schemes to be taken up for advance action during the fifth five-year Plan for realising benefits during the sixth five-year Plan.

TABLE I

Benefits from Power Generation Schemes during the Fifth Five Year Plan

Region/state	Benefit (MW) / Funds required (Rs crores) — Schemes under construction	Sanctioned schemes on which construction is yet to start	Schemes approved by TAC but yet to be sanctioned by Planning Commission	Schemes to be processed through TAC	During V Plan — Total
1	2	3	4	5	6
Northern Region Punjab	487	—	—	403	970
	22.85			76.04	98.89
Haryana	361	—	220	151	732
	23.43		35.47	21.35	80.25
Rajasthan	272	—	—	63	338
	11.72			5.28	17.00
Jammu & Kashmir	96	—	—	22	118
	21.87			7.61	29.48
Himachal Pradesh	60	—	—	—	60
	2.92				2.92
Uttar Pradesh	1295	—	110	840	2245
	12.37		12.60	133.13	270.10
Total Northern Region	2571	—	330	1562	446
	204.16		48.07	246.07	498.64

(Contd.)

TABLE I

Benefits from Power Generation Schemes during the Fifth Five Year Plan (Contd.)

1	2	3	4	5	6
Western Region					
Gujarat	585	240	—	400	1225
	42.18	23.38		61.20	126.76
Madhya Pradesh	360	107	—	800	1267
	34.79	17.36		148.00	200.15
Maharashtra	700	125	600	620	2045
	55.30	17.84	107.15	124.00	284.29
Total	1645	472	600	1820	4537
Western Region	112.27	58.58	107.15	333.20	611.20
Southern Region					
Andhra Pradesh	400	100	620	340	1460
	42.06	8.38	109.30	56.34	216.08
Kerala	390	470	—	—	860
	5.40	31.96			37.36
Mysore	359	55	405	—	819
	16.58	8.89	80.00		105.47
Tamil Nadu	145	210	—	400	755
	4.92	33.17		70.00	108.09
Total	1294	835	1025	740	3894
Southern Region	68.96	82.40	189.30	126.34	467.00
Eastern Region					
Bihar	350	110	240	620	1320
	10.94	14.56	45.68	120.70	191.88
Orissa	240	220	—	120	580
	1.17	38.40		12.00	49.57
West Bengal	240	200	400	—	840
	22.72	30.35	90.00		143.07
DVC	—	120	200	400	270
		17.90	37.00	79.00	133.90
Total	830	650	840	1140	3460
Eastern Region	34.83	99.21	172.68	211.70	518.42
North-Eastern Region					
Assam	60	—	—	60	120
	5.02			10.97	15.99
Tripura	10	—	—	—	10
	2.63				2.63
Total	70	—	—	60	130
North-Eastern Region	7.65			10.97	18.62
Central Sector	1215	235	350	—	1800
	186.01	29.87	90.00		306.78
Grand Total	7625	2192	3145	5322	18284
	614.78	270.06	607.20	928.62	2420.66

TABLE II

Benefits during the Fifth Five Year Plan from Projects under Construction

(State-wise Abstract)

Region/state	Addition to Installed capacity (MW)				Allocation required during V Plan (Rs crores)
	Hydro	Thermal	Nuclear	Total	
Northern Region					
Punjab	377	110	—	487	22.85
Haryana	251	110	—	361	23.43
Rajasthan	272	—	—	272	11.72
Jammu & Kashmir	96	—	—	96	21.87
Himachal Pradesh	60	—	—	60	2.92
Uttar Pradesh	365	930	—	1295	121.37
Total	1421	1150	—	2571	204.16
Western Region					
Gujarat	225	360	—	585	42.18
Madhya Pradesh	—	360	—	360	34.79
Maharashtra	460	240	—	700	35.30
Total	685	960	—	1645	112.27
Southern Region					
Andhra Pradesh	400	—	—	400	42.06
Kerala	390	—	—	390	5.40
Mysore	359	—	—	359	16.58
Tamil Nadu	35	110	—	145	4.92
Total	1184	110	—	1294	68.95
Eastern Region					
Bihar	130	220	—	350	10.94
Orissa	240	—	—	240	1.17
West Bengal	—	240	—	240	22.72
Total	370	460	—	830	34.83
North-Eastern Region					
Assam	60	—	—	60	5.02
Tripura	10	—	—	10	2.63
Total	70	—	—	70	7.65
Central Sector	580	—	655	1215	186.91
Grand Total	4310	2680	635	7625	614.78

TABLE III

Benefits during the Fifth Five Year Plan from Projects sanctioned by Planning Commission but on which Construction is yet to be started

(State-wise Abstract)

Region/State	Addition to installed capacity (MW)				Allocation required during V Plan (Rs crores)
	Hydro	Thermal	Nuclear	Total	
Northern Region			Nil		
Western Region					
Gujarat	240	—	—	240	23.38
Madhya Pradesh	107	—	—	107	17.36
Maharashtra	125	—	—	125	17.84
Total	472	—	—	472	58.58
Southern Region					
Andhra Pradesh	100	—	—	100	8.38
Kerala	470	—	—	470	31.98
Mysore	55	—	—	55	8.89
Tamil Nadu	210	—	—	210	33.17
Total	835	—	—	835	82.40
Eastern Region					
Bihar	—	110	—	110	14.56
Orissa	—	220	—	220	36.40
West Bengal	—	220	—	200	30.35
D.V.C.	—	120	—	120	17.90
Total	—	650	—	650	99.21
North-Eastern Region			Nil		
Central Sector	35	200		235	29.87
Grand Total	1342	850		2192	270.0[illegible]

TABLE IV

Benefits during the Fifth Five Year Plan from Projects Approved by TAC by but yet to be sanctioned by Planning Commission

(State-wise Abstract)

Region/State		Addition to Installed capacity (MW)				Allocation required during V Plan (Rs crores)
		Hydro	Thermal	Nuclear	Total	
Northern						
Haryana		—	220	—	220	35.7
Uttar Pradesh		—	110	—	110	12.6
	Total	—	530	—	330	48.0
Western Region						
Maharashtra		—	600	—	600	107.1
	Total	—	600	—	600	107.1
Southern Region						
Andhra Pradesh		—	620	—	620	109.3
Mysore		405	—	—	405	80.0
	Total	405	620	—	1025	189.3
Eastern Region						
Bihar		—	240	—	240	45.6
West Bengal		—	400	—	400	90.0
DVC		—	200	—	200	37.0
	Total	—	840	—	840	172.6
North-Eastern Region				Nil		
Central Sector		110	240	—	350	90.0
	Grand Total	515	2630	—	3145	607.2

TABLE V

Benefits during the Fifth Five-Year Plan from Projects which are yet to be proposed through TAC

(State-wise Abstract)

Region/State		Addition to installed capacity (MW)				Allocation required during Plan (Rs crores)
		Hdyro	Thermal	Nuclear	Total	
Northern Region						
Punjab		263	220	—	483	76.0
Haryana		151	—	—	151	21.3
Rajasthan		66	—	—	66	5.2
Jammu & Kashmir		22	—	—	22	7.6
Uttar Pradesh		—	840	—	840	136.1
	Total	502	1060	—	1562	246.4
Western Region						
Gujarat		—	400	—	400	61.2
Madhya Pradesh		—	800	—	800	148.0
Maharashtra		—	620	—	620	124.0
	Total	—	1820	—	1820	333.2
Southern Region						
Andhra Pradesh		120	220	—	340	56.3
Tamil Nadu		—	400	—	400	70.0
	Total	120	620	—	740	126.3
Eastern Region						
Bihar		—	620	620	620	120.7
Orissa		120	—	—	120	12.0
DVC		—	400	—	400	79.0
	Total	120	1020	—	1140	211.7
North-Eastern Region						
Assam		—	60	—	60	10.8
Central Sector			Nil			
	Grand Total	742	4580	—	5322	[illegible]

Projects under Construction which will afford benefits during Fifth Five Year Plan

Region/State	Scheme	IC (MW)	Benefit during V Plan	Cost Est. (Rs cr.)	Allocation required during V Plan (Rs cr.)	Remarks
1	2	3	4	5	6	7
Northern Region						
Punjab	Beas Unit I(H)	317	317	.9.10	20.66	Inter-State Projects.
	Beas Unit II(H)	60	60	12.86	2.12	Punjab's share.
	Bhatinda (T)	220	110	53.47	0.67	110 MW will be commissioned during IV Plan.
Haryana	Beas Unit I (H)	211	211	66.07	13.39	Inter-State Projects—Haryana's share.
	Beas Unit II (H)	40	40	8.57	1.40	
	Faridabad (T)	110	110	26.33	8.64	Not yet sanctioned by P.C. though installation of the first unit has been accepted in principle.
Rajasthan	Beas Unit I (H)	132	132	41.29	8.36	Inter-State Projects Rajasthan's share.
	Beas Unit II (H)	140	140	30.22	3.36	
Jammu & Kashmir	Lower Jhelum (H)	96	96	48.28	21.87	
Himachal Pradesh	Giri (H)	60	60	15.00	2.92	
Uttar Pradesh	Yamuna St. II (H)	360	120	90.00	13.54	4x60 MW at Chibro expected during IV Plan.
	Yumnna St. IV (H) (2nd & 3rd units)	30	20	9.00	0.50	10 MW expected during IV plan.
	Ramganga (H) (2nd & 3rd Units)	180	120	31.11	0.55	Benefit of 60 MW expected during IV Plan.
	Maneri Bhali Part I (H)	105	105	30.00	15.50	
	Panki Ext. (T)	220	220	35.20	16.32	
	Harduaganj St. V(T)	110	110	19.29	8.27	
	Obra (T)	600	600	89.89	66.89	
Western Region						
Gujarat	Ukai (H)	300	225	25.82	10.50	75 MW expected during IV Plan
	Ukai Thermal (T)	240	120	39.50	6.06	120 MW expected during IV Plan.
	North Gujarat (T)	240	240	45.62	25.62	
Madhya Pradesh	Korba St. III (T)	120	120	18.36	5.31	
	Amarkantak Extn (T)	240	240	36.85	29.48	
Maharashtra	Koyna St. III (H)	320	320	54.65	13.08	
	Vaitarna St. I (H)	60	60	17.83	1.43	
	Bhira Tailrace (H)	80	80	8.41	7.38	Preliminary works started.
	Koradi St. II (T) (3rd & 4th Units)	240	240	34.69	13.41	
Southern Region						
Andhra	Lower Sileru (H)	400	400	77.50	42.06	
Kerala	Idikki St. I (H)	390	390	80 00	5.40	
Mysore	Sharavathy (H)	178	89	9.30	3.38	89 MW expected during IV Plan.
	Kalinadi Phase I (H)	270	270	37.94	13.20	
Tamil Nadu	Suruliar (H)	35	35	6.59	3.88	
	Ennore Ext. (T)	110	110	16.85	1.04	
Eastern Region						
Bihar	Subernarekha (H)	130	130	19.50	9.97	
	Patratu (T)	220	220	45.00	0.97	
Orissa	Balimela (H)	360	240	32.37	1.17	
West Bengal	Santaldih (3rd & 4th Unit) (T)	240	240	38.46	22.72	
North-Eastern Region						
Assam	Kydemkulai (H)	60	60	9.24	5.02	
Tripura	Gumti (H)	10	10	11.50	2.63	
Central Sectors						
	Salal (H)	330	330	70 00	57.42	
	Baira-Siul (H)	180	180	40.59	20.50	
	Loktak (H)	70	70	25.13	6.51	
	RAPP II (N)	235	235	68.46	9.78	
	MAPP I & II (N)	400	400	149.22	92.70	

TABLE III *Annexure to Table III*

Projects sanctioned by Planning Commission which will afford benefits during V Plan but on which Construction is to be started

Region, State	Scheme	IC (MW)	Benefit during V Plan (MW)	Est cost (Rs cr.)	Allocation required during V Plan (Rs cr)	Remarks
Northern Region			Nil			
Western Region						
Gujarat	Kadana (H)	240	240	24.58	23.38	
Madhya Pradesh	Pench (H)	107	107	18.86	17.36	Inter-State project. M.P. is share.
Maharashtra	Paithan (H)	12	12	1.89	1.51	
	Tilari (H)	60	60	9.12	8.80	
	Pench (H)	53	53	9.42	7.50	Inter-State Project. Maharashtra share.
Southern Region						
Andhra Pradesh	Nagarjunasagar (H)	100	100	9.39	8.38	
Kerala	Silent Valley (H)	120	80	24.88	20.63	40 MW benefit will spill into VI Plan.
	Idikki St. II (H)	390	390	11.58	11.33	
Mysore	Linganamakki dam (P.H.)	55	55	9.37	8.89	
Tamil Nadu	Kundah IV (H)	110	110	6.25	4.55	
	Kadamparai (H)	400	100	35.15	28.62	300 MW benefit will spill into the VI Plan.
Eastern Region						
Bihar	Barauni Extn (T)	110	110	20.00	14.56	
Orissa	Talcher St. II (T)	220	220	38.40	36.40	
West Bengal	Bandel (T)	200	200	33.30	30.35	Units ordered.
DVC	Chandrapura (6th unit) (T)	120	120	20.00	17.90	
North-Eastern Region			Nil			
Central Sector						
	Badarpur Extn. (T)	200	200	28.19	26.19	
	Loktak Extn. (H)	35	35	3.93	3.6	

Annexure to Table IV

Projects which will afford benefits during V Plan Approved by TAC but yet to be sanctioned by Planning Commission

Region State	Scheme	IC (MW)	Benefit during V Plan (MW)	Est. cost (Rs cr)*	Allocation required during V Plan (Rs cr)	Remarks
Northern Region						
Haryana	Faridabad (T)	110	*	*	*	*As the scheme is under consruction, benefits and costs have been included under Statement Installation of one unit has been approved in principle.
Uttar Pradesh	Panipat (T)	220	220	45.82	35.47	
	Harduaganj St. VI (T)	110	110	22.60	12.60	
Western Region						
Maharashtra	Koradi Ext. (T)	600	600	112.40	107.15	
Southern Region						
Andhra Pradesh	Vijayawada (T)	400	400	66.60	65.00	
	Kothagudem (St. IV (T)	220	220	45.20	44.30	
Mysore	Kalinadi Phase II (H)	640	405	93.57	80.00	235 MW will spill into VI Plan.
Eastern Region						
Bihar	Muzaffarpur (T)	240	240	46.68	45.68	Not included in PC list.
West Bengal	Kolghat (T)	600	400	115.59	90.00	Subject to feasibility of Coal transporation 200 MW will spill into VI Plan.
DVC	Durgapur Ext (T)	200	200	37.80	37.00	
North-Eastern Region			Nil			
Central Sector						
	Kishtwar (H)	330	110	56.92	45.00	
	Dalkola (T)	240	240	46.69	45.00	Not included in PC list.

*The estimated cost of projects are as put up to approved by TAC.

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A half-hearted measure

THE SCHEME of voluntary control on medium varieties of cloth, outlined on July 11, by Prof. D.P. Chattopadhyaya, the Commerce minister, is an ill-conceived measure. It betrays government's lack of will to face the problems squarely. It is feared that it would provide satisfaction neither to the industry nor to the distributors. The consumers also will fail to draw any benefit from it despite the decision of the government to provide safeguards through watch-dog committees.

The essential elements of the new scheme are: (1) an increase of 10 per cent in wearable medium cloth prices over the November, 1972, levels to cover the increase in the cost of inputs; (2) a cut in the dealers' margin by 10 per cent (from 30 to 20 per cent) so that prices are pegged at the November, 1972, levels for the consumer; (3) the scheme being voluntary, its implementation will be through watch-dog committees at the main consuming centres and implementation committees at the producing centres; (4) the price control will apply in the first instance for three months (beginning July 20) and would be revised after the report of the Bureau of Industrial Costs and Prices is received; (5) mills have been asked to indicate the retail price of cloth at the beginning as well as at the end of each saleable piece.

The fact that the Commerce ministry has allowed a rise of only 10 per cent in cloth prices over the November, 1972, levels is going to defeat the very objective of the new scheme because the Lal Committee which went into the question of cloth prices had come to the conclusion that between November, 1972, and June, 1973, the cost of the inputs of textile mills had increased by as much as 15.5 per cent. It is not clear why the industry was not fully compensated for the increase in costs. What economies are expected of the textile mills to cover this difference? Since cotton prices are at present showing an upward trend, the costs of the mills would rise still further in the next three months and hurt them more. Naturally the working of the textile mills would be affected adversely and the industry would be thrown into disarray. Under these pressures, the production of medium varieties of cloth might go down as many mills would tend to go in for fine and super-fine varieties of cloth which lie outside the purview of the controls. It is the case of the industry — and a legitimate one — that a control on the end-product is hardly tenable when the government fails to take measures for restraining a rise in the prices of inputs.

The cut in the dealers' margin again is an inappropriate measure because it will mean sharp reduction in the profits of the distributing agents at various levels. In an atmosphere of all round rising costs, there is every likelihood of the distributors at various levels taking to malpractices and defeating the very purpose of the scheme, i.e., to restrain a rise in prices without hurting production and distribution. The watch-dog committees will hardly have time to settle down and evolve procedures before these prices would be due for revision.

The consumer is rightly sore that he has had a raw deal so far. Prices of cloth have continued to rise month after month. The new voluntary control scheme evolved to benefit him might result in reduced production, thus causing him added hardship. In many cases, he may not be able to obtain the quality as well as the quantity of cloth that he needs.

For a long time the demand has been made in this country by the consumer that the retail prices of cloth should be printed on every metre of wearable cloth turned out by the mills. In the case of medicines, for example, compulsory indication of retail prices has already helped the consumer immensely. A similar measure in the case of cloth would have gone a long way in removing malpractices in this regard and would have also provided relief to the consumer. The printing of prices at the beginning as well as at the end of each saleable piece of cloth hardly provides any protection against unsocial activities of retailers. Steps should therefore be taken to urge the mills to print retail price on every metre of cloth and if any equipment or machinery needs to be imported for this purpose, necessary foreign exchange should be released to the mills.

All in all it is fair to conclude that the scheme as it has been formulated, will be of little use to the consumer and will also not satisfy the mills and the dealers. Not that rigorous controls would be more successful; in fact all controls have a narcotic effect since they tend to reduce production and distort distribution leading to increased harassment to the consumer. Let us hope that Prof. Chattopadhyaya will show more pragmatism after three months when the scheme is reviewed than he has been able to exhibit so far. The cotton textile industry cannot perform its rightful role if the Commerce ministry continues to deal with its problems in an amateurish and half-hearted manner.

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Fixing the power target

THE SEVENTH conference of state ministers for Irrigation and Power held at Kodaikanal in Tamil Nadu recently discussed at length questions relating to the implementation and integration of power schemes in different parts of the country with a view to bringing about a defined rate of growth in generation and eliminating the weaknesses in some areas as in Tamil Nadu. Even if the target for the fifth Plan has yet to be definitely fixed as on the basis of the achievement in the current Plan period, it is being emphasied by the Planning Commission that a target for creating additionally 21 million kw of capacity would be physically unattainable not to speak of the paucity of financial resources. The union minister for Power and Irrigation, Dr K.L. Rao, however is of the view that an average of 3.5-4 million kw of capacity can be easily created if their is no shortage of cement and steel and definite schedules are drawn up in regard to the deliveries of generating equipment from indigenous and foreign sources. As it is expected that new capacity for 2.1 million kw will become available in 1973-74 there is confidence that 18 to 20 million kw of fresh capacity can be brought into being in the next Plan period.

A faster rate of progress can be ensured if arrangements are made for importing generating sets with a capacity of 200 mw and 500 mw immediately so that the need of Tamil Nadu, Maharashtra, Gujarat and UP in the next two or three years are fulfilled. The Heavy Electricals units also have been making commendable progress latterly and it would be advisable for them to concentrate on the manufacture of 110 and 120 mw sets on a standardised basis for some time while the arrangements are being made for building bigger generating sets. It has been actually claimed by those in the management of the Heavy Electricals units that the output can be stepped up to well over 2 million kw annually and with the gaining of experience in regard to the manufacture of bigger sets the rate of production can be doubled in two or three years. It will therefore be clear that the gap in availability of generating equipment from indigenous sources will be felt only in the first three years of the fifth Plan and imported equipment should be available for filling any gap that may be felt during these years.

Even here it has been complained that equipment for over 1½ million kw is lying idle because of the delays in completing thermal and hydel schemes and that with special attention to the completion of these schemes the necessary momentum can be gained even in 1974-75. It will be necessary however to determine clearly what should be the new capacity required for the different regions and how the allotted quotas can be fulfilled by an integration of the implementation of hydel and thermal schemes within a region.

Dr K.L. Rao's suggestion for the creation of a central authority and the formation of regional boards should be seriously considered and put into effect as early as possible. The peculiar problems of individual regions can be effectively tackled only if there is close co-operation between the state electricity boards in a region and ample financial assistance is forthcoming from the centre. With a hopeless financial position of many state electricity boards and the uneven progress of power generation in different states, the problem of regional development cannot be satisfactorily solved in the earlier stages. But this should not be an excuse for avoiding regional co-operation and for encouraging temptations for proceeding with plans on a statewise basis.

The southern region affords good scope for integrated development as Kerala and Mysore have huge untapped hydel potential while Tamil Nadu and Andhra Pradesh can concentrate on the execution of thermal projects besides tapping the remaining hydel potential. This region accounts for over 25 per cent of the existing generating capacity and with the prospect of Kerala and Mysore alone accounting for 2.5 million kw of hydel capacity freshly, on the basis of continuing schemes another 2.5 million kw of hydel and thermal capacity can be brought into being mainly in Andhra Pradesh and Tamil Nadu and to some extent in Kerala and Mysore. It will therefore be seen that the objective of an average of four million kw of new capacity annually in the fifth Plan for the whole country is not impossible of attainment if there is proper planning and accordance of high priority.

The base provided by the addition of six million kw of capacity in the fourth Plan makes it possible to manipulate intelligently the operations of hydel and thermal stations. Fortunately, there is a preponderance of thermal capacity at the present moment though the distribution between hydel and thermal capacity is different in various regions. It has been disclosed that the shortage of power of 35 million kwh daily in the past few months on account of the failure of the monsoon has been reduced significantly with the completion of new schemes and intensive working of thermal capacity. The gap is said to be only 12 million kwh now daily, most of it being accounted for by Tamil Nadu. With the prospect of a satisfactory monsoon in the current season and the resolve to execute new schemes which will provide additionally 2.1 million kw, the shortage of power can be fully eliminated if only thermal capacity is used to the optimum extent. Unfortunately, inadequate coal supplies even to thermal stations located in the mining areas and the failure to recognise the special difficulties of some projects as in the case of Dhuvaran in Gujarat and Neyveli in Tamil Nadu have been responsible for the ineffective use of capacity which can be easily 1000 mw.

The union ministry of Irrigation and Power should establish immediately a central authority which will look into the peculiar difficulties of the thermal stations in various regions and also keep a constant watch on the manufacturing programmes of the Heavy Electricals units and the observance of schedules of deliveries of generating equipment to the state electricity boards. If for any reason the finances of individual state electricity boards are not in good shape and fresh investment cannot be undertaken by them on the required scale the centre should think of large thermal projects or provide full assistance for hydel schemes by forming new corporations as has been done in respect of Kalinadhi project in Mysore.

There is need for recognising the special requirements of states like Tamil Nadu which have suffered grievously on account of the delay implementing the Kalpakkam Atomic Power Station in the central sector and Idikki project in Kerala. It is also reported that there has been needless delay in giving clearance for new thermal projects on the plea that higher capacity generating sets may not be available for some years or the required quantities of coal cannot be secured. Tamil Nadu needs huge thermal capacity at Tuticorin and Ennore while Kalpakkam should be continuously expanding its capacity to 800 mw. As matters stand, there is a sense of complacency and the state government is naturally worried about its ability to execute new schemes if the sanctions are not forthcoming from the Planning Commission without delay and arrangements are not made for importing larger generating sets. The difficulties of Tamil Nadu are not in any sense peculiar as UP and Orissa have similar problems. These two states like Andhra Pradesh have been tardy in the implementation of power schemes and it is amazing to note that

only a few states have made significant progress in rural electrification and are having a fairly high level of power consumption.

If there is a levelling up of demand for electricity in the backward areas with the energisation of pumpsets and the promotion of new industries, the hunger for power can never be satisfied. The planning Commission is not therefore correct in thinking that there should be a pruning of allocations for power projects because of inadequacy of resources. The priorities will have to be recast and the central and state governments should pay greater attention to the utilisation of the irrigation potential and the execution of power projects besides making the best use of the capacity of the industrial undertakings in the public sector. The pace of economic growth can be hastened by encouraging the private and co-operative sectors to take up industrial and agricultural development. As Dr Rao has stated, power is needed for maintaining agricultural and industrial production at a high level and there should not be any attempt to whittle down the target of 41 million kw for the fifth Plan.

Food problem in W. Bengal

THE DECISION of the government of West Bengal to reduce the rice ration with effect from July 9 has understandably caused public resentment and it is hardly surprising if the opposition parties try to exploit it to discredit Mr Ray's ministry. This is the second occasion when the present ministry has cut the rice ration. When Mr Ray's ministry came into power in March 1972, it increased the rice quota in the statutory rationing area from 1000 to 1100 grammes per capita per week. But in May this year the ration was reduced to 1000 grammes and now it has been cut further to 750 grammes. However, the wheat quota has been increased by 50 grammes to 1250 grammes.

The state government has explained that this decision has been taken in view of the cut in the rice allotment from the central pool to West Bengal. The state's Food department requires 35,000 tonnes of rice per month to maintain the per capita supply of 1 kg a week in the statutory rationing areas, covering a population of 8.6 million. In the past the centre had given 40,000 tonnes of rice per month but in May this year it gave only 20,000 tonnes. The centre is said to have told West Bengal that in the next five months, the monthly supply will not be more than 17,000 tonnes. The latest cut in the rice ration is expected to bring down the supply of rice in the statutory rationing area to 25,000 tonnes from the present 35,000 tonnes a month. It is claimed that this step will help to meet the situation arising from the likely occurrence of floods. It is feared that about 1825 square miles and two million people might be affected by the floods.

Mr Ray has pointed out that even after the present cut, the quantity of food supplied in the statutory rationing area will be higher than what is provided in certain other parts of the country. He has reminded the people that the first united front government supplied initially 400 grammes of rice and 1250 grammes of wheat. In November 1967 the quantities provided were 500 grammes of rice and an equal quantity of wheat. He has also assured the people that the cut in rice ration would be restored as soon as possible.

These arguments and assurances however are unlikely to console or convince the people. The political parties including the Communist Party of India have sharply criticised the decision by saying that it has become necessary mainly because of the state government's indifference and inefficiency in procurement. The government is alleged to be too soft towards the "jotedars", traders, millers and hoarders. Substantial quantities of paddy are alleged to be either hoarded in the state or smuggled into other parts of the country. It is feared that as a result of the latest cut, there will be a large flow of rice from the villages into the urban areas and thereby cause hardship to the poor and the middle class people in the rural areas.

The chief minister has revealed that the state government has been able to achieve about 60 per cent of the proc rement target of paddy and that this compares favourably with the performance in many other states. In 1972 the total quantity procured internally was 1.79 lakh tonnes of which 25,000 tonnes were through a levy on producers, 75,900 tonnes through a levy on rice mills, 76,700 tonnes through open market purchases and 1,000 tonnes through seizures. The internal procurement in 1971 was 236,300 tonnes which consisted of 35,700 tonnes through the levy on producers and 110,900 tonnes through the levy on rice mills while the open market purchases accounted for 88,800 tonnes and seizures for a negligible quantity.

The procurement price of paddy has been fixed at Rs. 64 per quintal compared to the free market price of about Rs 100. Most rice mills are reported to have stopped their milling operations due to scarcity of paddy and the available supplies are being milled by the husking and single huller mills, numberi[illegible] about 15,000 who, however, are not subject to any levy by the government.

The government's decision to reduce the rice ration has come at a time when the general level of prices in West Bengal has been showing a sharply upward trend. The wholesale price index in Calcutta (1952-53=100) rose from 178.5 in 1966-67 to 236.0 in 1971-72. The price situation in West Bengal is very much affected by the developments in other parts of the country since it depends heavily on other states for its essential supplies such as cement, sugar, mustard oil, fish, coal and coke, and cotton piecegoods. Moreover, the huge influx of rufugees from East Pakistan, the stagnation in industrial production in the recent years, and the severe drought in 1972 also contributed to the rise in the level of prices. Since the beginning of July, there seems to have been a further increase in the prices of certain items like sugar and mustard oil. In this background, the cut in the rice ration will force many consumers to supplement their purchases from the open market where the price varies between Rs 3 and Rs 4 per kg. It is also pertinent to point out that the quality of the rice supplied through the ration shops has been lately found to be very inferior, which compels many consumers to forego it and purchase in the open market at high prices.

The food situation in West Bengal is thus far from satisfactory. The state Food minister, Mr. Maitra, has come in for sharp criticism both from his party and from the opposition. Mr Ray has strongly defended his colleague and has pointed out that if the food policy has failed, the responsibility for it should be shared by the entire cabinet and not merely by Mr Maitra. But the public are not interested in apportioning the blame for the present crisis but in getting adequate quantities of food of good quality and at fair prices. Mr Ray has been one of the vociferous supporters of the policy of takeover of the foodgrains trade despite his awareness of the severe limitations of

his administration. It is hoped that the public agitation against the cut in rice ration would make the chief minister pursue a realistic policy in regard to the food problem.

The government of West Bengal should also give particular attention to measures to step up food production. The yield rate of rice in West Bengal in 1969-70 was 12.7 quintals per hectare compared to 14.2 quintals in Andhra Pradesh, 13.9 in Kerala and 16.8 in Tamil Nadu. There is scope for increasing the productivity by providing the farmers with all the inputs they need at prices they can afford. The production of rice in West Bengal steadily increased from 4.7 million tonnes in 1961-62 to 6.5 million tonnes in 1971-72. The total production of foodgrains in 1970-71 is estimatod at 7.4 million tonnes compared to 5.2 million tonnes in 1961-62.

Mr Pannalal Das Gupta, a member of the state planning board, has drawn up a scheme to enable the state to achieve self-sufficiency in foodgrains. He says: "Compared to the 4.7 per cent annual target of growth for the country as a whole, it should be possible to achieve a rate of 10 to 11 per cent in West Bengal. Only such a rate will ensure food self-sufficiency. And it will also help the state to offer 70 per cent of the population, who now live below the poverty line, much more than the present daily ration of cereals. To provide 650 to 750 grammes per head a day the production has to go up to more than 14 million tonnes by 1978-79 implying a yearly rate of growth of 10.5 per cent during the fifth Plan." Mr Das Gupta has suggested the introduction of the comprehensive area development programme. Each area will be about 25 to 30 sequare miles with 10,000 acres of cultivable land. All such areas will be adequately provided with the necessary facilities to modernise the techniques of cultivation and to maximise production. Mr Das Gupta claims that this programme "will not be collective farming based on abolition of private ownership, not capitalist farming based on private ownership". It is not known whether West Bengal's cabinet has examined the implications of Mr Das Gupta's scheme. In any case, the time has come for the state government to give careful and continuous attention to the problem of people's food.

Containing demand for petroleum

In view of the growing shortage of crude oil in the world, the central government does not appear to have any option but to accept the demand of the three private oil companies operating in the country for a further upward revision in the prices of their imported crude. Burmah-Shell and Caltex have asked for a price hike with effect from July 1, 1973, to as much as 20.3 cents per barrel—5.6 cents on account of the changes in the par values of currencies since the recent devaluation of the US dollar and the remainder 14.7 cents owing to the otherwise hardening of crude oil prices in the world market. Esso is said to have as yet approached the government for an increase in its price of crude from the above date only to the extent of 3.5 cents a barrel on the former count, but has indicated that it will shortly seek a raise on the latter basis.

With the increase asked for by Burmah-Shell and Caltex, their crude oil prices would go up to \$ 2.553 per barrel, as compared to \$ 2.08 on January 1,1973, and just about \$ 1.28 in October, 1970.

Further price hikes are not ruled out because by the agreement reached last month between the Organisation of Petroleum Exporting Countries (OPEC) and the international oil companies, crude prices are to be revised every month in the light of the changes in the de facto par value of the dollar.

If the profitability of the oil refineries in the country is not to be impaired—this is applicable not only to the private refineries but also to the public sector units at Cochin and Madras, which are based on imported crude—there is no escape from raising the prices of petroleum products quite substantially, even though they were revised upward by varying degrees only last month. This is because of the fact that the last revision in the prices of petroleum products—on June 11 —neutralised the increase in the price of crude oil to the extent of only \$ 1.88 a barrel. The union ministry of Petroleum and Chemicals, in fact, is stated to be considering such an upward revision. The other alternative—scaling down of the fiscal levies on petroleum products—surely cannot be expected to find favour. The government at present obviously not only cannot afford to lose any sizeable revenue from the duties on these products, but has also to make concerted efforts to curb their consumption in the interest of containing the rapidly mounting petroleum imports bill.

The curtailment of the consumption of all petroleum products through an upward revision in their prices, of course is likely to encounter stiff opposition. Already the price of naphtha has been stepped up by as much as 25 per cent and that of furnace oil by nearly 6.5 per cent. Further increases in their prices may not be feasible owing to their adverse effect on the fertilizer manufacturing programme. As argued earlier in this journal, there is even a case for mitigating the rigours of the increased cost of producing fertilisers through bringing down the excise duty on fertilizers. The case of kerosene prices may not be different as this product is used widely in the rural areas for lighting purposes and in the urban areas for cooking purposes. The brunt, therefore, may again have to be borne by the consumers of other petroleum products.

But there is a limit to this sort of price adjustments in the interest of curbing the consumption of petroleum products, if the inflationary tendencies in the economy are to be contained. The government, therefore, will have to think of other ways of reducing the demand for petroleum. Some steps in this direction of course, have already been taken. These include the diversification of the feedstocks for the manufactnre of fertilizers and the slowing down of the diesalisation of railways. The most important task facing at present is to contain the demand for kerosene, which has tended to grow at a fairly rapid pace owing to its use for cooking purposes. The popularity of kerosene as cooking fuel is growing fast, particularly because of the pattern of construction of houses in the metropolitan areas. Kerosene is considered a clean cooking fuel. For the same reason, the demand for liquid petroleum gas is going up rapidly.

A sizeable dent on the demand for petroleum can be made if the use of kerosene for cooking purposes is restricted. The replacement of kerosene by liquid petroleum gas cannot be a judicious answer as the base material for the two is the same, namely crude oil. The most appropriate way of containing the demand for kerosene is to make available in urban areas smokeless or low-smoke fuels.

This is not an impossible proposition. The answer can be briquetting of non-coking coal which is in abundant availability in the country. Already lignite briquetting facilities have been put up by the Lignite Corporation. An entrepreneur in Assam has started coal briquetting on a modest scale. These coal briquettes are said to be becoming quite popular. The Coal Authority of India should do well in bestowing some thought on this problem.

Tea exports under bilateral trade agreements

S. Manoharan

THOUGH INDIAN tea production has increased significantly, because of the phenomenal increase in the domestic consumption, in the past more than two decades the volume of tea exports remained almost stagnant. In the face of sprawling domestic consumption, and stagnant level of exports, there has been a tremendous increase in the volume of tea traded under bilateral trade agreements. For example, in 1971, 45.47 per cent of the total tea exports from India were covered by bilateral trade agreements. Grave concerns are expressed that if the present trends in production, domestic consumption and tea trade under bilateral trade agreements continue, soon India's share in the western markets would suffer a great decline. The purpose of this article is to examine whether these fears are real or not. This involves an estimate of production, domestic consumption and the exportable surplus. After assessing the probable quantity that can be exported, an attempt has been made to find out the demands of the bilateral markets that would be made on India's exports. The entire estimate is made for the year 1980.

production level

The production level of 1980 can be estimated by fitting a linear regression trend. On the basis of 25 years i.e. 1947 to 1971, the following equation is obtained.

$$Y = 231,643.4 + 7,526.8 \times t. \text{ kg.}$$

With this, if the production is estimated for 1980, we get 488 million kg. This would mean that production of 1980 would be 131 million kg. higher than the production level of 1971.

Prof P. Banerjee has found that the trend rate of growth of consumption of tea in India is around 5.3 per cent.[1] He has estimated this by using an exponential function of the form:

$$Yt = A(A+r)t$$

Where Yt denotes consumption of tea and t denotes time.

In order to eliminate the influence of short run fluctuations he has first calculated three yearly moving averages of Yt. Then estimated the parameters of the above regression function.

$$Y = 1.94 + 0.0225\,t$$
where $Y = \log Yt$.

His sample space consisted of 15 observations from 1954-55 to 1968-69. He has projected the expected value of Yt for 1980-81. The projected value is 352.8 million kg.

If these trends in production and consumption prove to be correct then in 1980 about 71 per cent of the production would be consumed at home. By subtracting domestic consumption from estimated production the possible export level can be obtained. With the domestic consumption at 352.8 million kg., the Indian exports would be 135. This would mean that the export level of India in 1980 would be 71 million kg. less than in 1971.

The next question would be that in 1980 if only 28.7 per cent of India's production would be exported, then what would be India's share in the world exports?

By fitting the following linear regression trend, we estimate the world exports in 1980 as 723.96 million kg.

$$Y = 445,392.7 + 9285.5 \times t \text{ kg.}$$

Basing on this, India's share in the world exports can be estimated as given in Table I.

TABLE I

India's share in Total World Exports in %

1950	45.6
1960	36.5
1970	31.8
1980	18.6*

*Estimated Source: *Tea Statistics.*

Table I indicates how India's dominant share attained in 1950 would be reduced to a minor share in 1980. In other words within 30 years India's loss in the world exports would be 27 per cent.

Since India entered rupee payment agreement with the Soviet Union and other east European countries, bilateral trade agreement with Afghanistan, UAR, Sudan, Iraq and Jordan and trilateral trade agreement with Tunisia, and Bulgaria, there has been a big spurt in the exports of Indian tea to these countries. For instance in 1971, percentage of export trade under these trade agreements is as high as 45.47 per cent of India's total exports (Table II.)

TABLE II

Percentage of Exports under Bilateral Agreement to Total Indian Exports

1960-62	19.92
1968	30.84
1969	42.94
1970	34.70
1971	45.47

Source: *Tea Statistics.*

[1] This article is a part of the author's forthcoming book "*Indian Tea—A Strategy for Development*"; S. Chand & Co. Pvt Ltd, New Delhi.

The Soviet Union accounts for about 45 per cent in the volume of tea traded under bilateral agreement. Next to the UK, the USSR is the second biggest market for Indian tea. However unlike the former, the latter is increasing at a faster rate.

The expansion of exports from India to the Soviet Union is phenomenal since the rupee payment agreement was concluded in January 1959. In the first year of this agreement itself, India seized a share of 40.3 per cent in the USSR market. At that time China and Hong Kong together accounted for 58.0 per cent. Within 10 years, i.e. in 1969 India claimed 90.7 per cent of the USSR market, leaving only 7.2 per cent to Sri Lanka. In that year import from China amounted to nil. In 1971, India has a share of 91.3 per cent and Sri Lanka 4.7 per cent. An interesting feature of this situation is, though Sri Lanka also has concluded rupee payment agreement with the Soviet Union, it has not stopped the declining trend of its share in the USSR market. One wonders whether there are more than economic considerations for the Soviets' preference for India than Sri Lanka. (Table III.)

stagnant production

As the volume of exportable surplus has not increased for a long time, the increase of trade under bilateral agreement has eroded into the volume of exports which was destined to convertible currency area. As a result by 1971 the percentage of exports to convertible currency area has been reduced to 54.53 per cent. If the increase of domestic consumption has reduced the exportable surplus the export under bilateral trade agreement has curtailed the exports destined to hard currency area. (Table IV.) If the domestic consumption, exports under bilateral trade and exports to convertible currency area are expressed as percentage of production, it is found that while the former two are increasing the latter is falling. (Table V.)

One of the reasons for the decline of Indian tea in the convertible currency area and for its increasing dominance in the bilateral area is due to the fact that selling to bilateral partners is more attractive in terms of price. In the auctions, price paid by the bilateral trade countries is far higher than the Western buyers. This is confirmed by the statement made by the deputy Commerce minister in the Rajya Sabha in May 7, 1973. He said that one of the main reasons for the decline of exports of tea to free currency area was due to "pressure of buying in Indian auctions by bilateral trade agreement countries."[2] Therefore it seems that when supply position is not sufficiently elastic, bilateral trade agreeme[nts] lead merely to a diversion of expo[rts] from the traditional markets to the bi[la]terally traded countries.

In order to estimate the prospects

TABLE III

USSR Share in the Tea Market

(in percentag[e])

Year	*India*	*Sri Lanka*	*China & Hong Kong*	*North Vietn[am]*
1959	40.3	—	58.0	1.7
1960	49.6	2.2	45.2	2.8
1961	77.1	—	20.1*	2.8
1962	68.4	10.2	19.1	2.3
1963	68.6	13.3	14.2	2.4
1964	70.8	18.4	9.2	1.5
1965	80.3	12.9	5.5	—
1966	81.7	15.1	—	—
1967	88.1	8.6	—	—
1968	88.0	8.9	—	—
1969	90.7	7.2	—	1.9
1970	88.4	8.5	—	3.1
1971	91.3	4.7	2.3	1.6

*Excludes imports from China.

Source : *ITC*

TABLE IV

Tea Exporting Countries Share in the Market

(in percentage)

Countries	Convertible currency area		Bilateral trade are[a]	
	1961	1971	1961	197[1]
India	40.72	27.08	40.7	58.1
Sri Lanka	32.54	26.01	23.1	22.8
East Africa	7.00	15.77	Nil	Nil

Source : Calculated from *ITC*

TABLE V

Domestic Consumption and Exports Expressed as Percentage of Indian Production

(in percentag[e])

Year	Domestic consumption	Exports	
		Bilateral trade area	Convertible currency area
1962	41.2	17.8	47.0
1968	48.0	16.2	35.8
1969	57.0	18.0	25.0
1970	51.8	16.7	37.8
1971	52.4	21.7	25.9

Source : Calculated from *Tea S[tatistics]*

Indian tea exports in 1980, it is essential first to assess India's possible trade under bilateral agreements. It is because as the trade under bilateral agreements are committed in advance in terms of quantity that much of quantity is sucked out of the country. Therefore first an estimate of trade under bilateral agreement may be made.

An estimate of future prospects of Indian exports under bilateral trade agreement can be made on the basis of a few realistic assumptions. The present cordial relationship with the Soviet Union would exist for quite some time. Thanks to this or for the same reasons which make the Soviet Union at present to buy more from India than from Sri Lanka, Indian teas would be preferred in 1980 also. It is already seen that because of the increased exports under bilateral agreements, trade with the hard currency area has been reduced. Realising this, in future the government of India might not choose tea as a commodity to be traded under bilateral agreement with countries like Tunisia, Afghanistan, Sudan and UAR. However in view of the growing trade with the USSR and also India's expectation of oil from Iraq, it can be assumed that tea would continue to remain as a commodity under bilateral agreements with these countries. It is assumed therefore that in 1980, tea would be traded under bilateral trade agreements only with east Europe and Iraq.

major supplier

By 1980, India's trade with all other east European countries would not be turned into convertible currency account. If this happens, then India's tea trade with east Europe would cease to be at signifieant level. In that case, it is quite possible that the USSR would buy tea from India under rupee payment and *re-export* it to other the east European countries. In 1971, about 22 per cent of consumption of east Europe was met by the export of the Soviet Union. In 1971, India's share of the Soviet Union market is 91.3 per cent and Sri Lanka's 4.7 per cent. The export from Soviet Union amounted to 3.8 million kg. For the estimate of trade with the USSR in 1980, it is assumed that its entire requirement for the domestic consumption will be met by India. It is further assumed that both the import from Sri Lanka into the Soviet Union and the export from the USSR would be zero. This would ensure a realistic estimate because in case the Soviet Union wants to carry on 'exports' to that extent it can trade with Sri Lanka. In any case this would not distort our estimate of India's exports to the Soviet Union.

The Soviet Union has one of the lowest per capita tea consumption in the world. In 1962 it was 0.22 kg and in 1970 it was 0.31 kg. However in view of the fact that the interests of the consumers are receiving better treatment from the government, it is a good guess that in future the per capita consumption of tea would increase considerably. Though the Soviet Union has significant domestic production, it is likely that its need for import would continue to increase. If both production and consumption continue to rise at the present rate, then it is estimated that by 1980, they would reach the level of 94 million kg and 161 million kg respectively leaving a gap of 67 million kg for import (Table VI.)

increasing demand

Among other east European countries, Poland is the biggest importer while Rumania does not consume tea at all. The Soviet Union is the only tea producer in the east European Countries. In 1970 the import needs of east Europe (excluding the USSR) was 14 million kg. Out of this the Soviet Union supplied about four million kg, China four million kg, India four million kg, Sri Lanka 1.6 million kg, and the rest came from the UK and the Netherlands. It is estimated that by 1980, the import needs of east Europe (excluding the USSR) would be around 20 million kg.

At present, nearly 80 per cent of China's total trade is with non-socialis countries while ten years ago the situatio was just the opposite. There is no rea son to believe that China would chang its trade policies and export more teas t east Europe in the near future. More over, China is more interested to sell tea to France and Japan. China's 'expor surplus' may not increase so much tha it may feel the necessity to seek the eas European markets. So it may be helc that China, at best would continue th present trend of tea export to east Europe Eastern Europe may not have, as such any special advantage in getting teas fron Sri Lanka and therefore Sri Lanka ma not be a significant seller. Hence Indi would emerge as the biggest supplier o tea to east Europe.

indirect trade

East Europe, thus, would in futur increasingly buy tea from India. If th east European countries (excluding th USSR) convert their trade agreement with India from rupee to sterling (as wa done by Yugoslavia) then tea trade ma not take place directly but might b through the Soviet Union. In any case India is going to be their major supplie either directly or through the Sovie Union. It is estimated that India woul supply about 16 million kg of their est mated needs of 20 million kg.

At present Iraq is buying about 18 pe cent of its needs from India and 72 pe cent from Sri Lanka. Like India, S Lanka also entered into a bilateral trac agreement with Iraq. Though such a agreement would expire by end of 197 we can assume that a similar agreemen would be conducted up to 1980. Ther

TABLE VI

Production and Consumption of Tea in the USSR

(Qty. '000 kg

Year	Production 1	imports 2	Total 3 (1+2)	Exports 4	Consumption 5 (3—4)
1960	40,144	22,589	62,733	1,580	61,15
1965	48,262	36,287	84,549	3,432	81,11
1966	58,377	21,319	79,696	5,000	74,69
1967	57,425	23,160	80,585	3,488	77,09
1968	56,100	22,725	78,825	2,786	76,03
1969	59,900	28,350	88,250	3,194	85,05
1970	66,800	29,200	96,000	2,847	93,15
1971	68,000	42,600	110,600	3,809	106,79
1980*	94,000	67,169	Nil	—	161,16

*Estimated

Source : Calculated from *Tea Statistic*

are signs to indicate that trade between India and Iraq may increase at a faster rate. In that case it can be assumed that India and Sri Lanka might share the market 50:50. In that case Indian exports would be around 13 million kg in 1980 (Table VII.)

Table VIII indicates that in 1980, about 96 million kg of tea will be exported from India under bilateral trade agreements. Already it has been estimated that India's total exports would be 135 million kg in 1980. In that case Indian tea exports to hard currency area would be around 39 million kg. In 1971 India exported 112 million kg to hard currency area. In 1980, there may be a steep fall in the exports destined to hard currency area.

TABLE VIII

West Europe's Imports of Tea from East Europe

(Value in Million dollars c.i.f.)

Year	From the USSR	From all East Europe
1964	0.01	0.04
1965	0.68	0.69
1966	0.73	0.73
1967	0.43	0.46
1968	2.15	2.15
1969	1.16	1.17

Source: compiled from *Economic Bulletin For Europe* (United Nations, Geneva) No. I. Statistical Table B. Vols. 18, 19, 20, 21 and 22.

So far only one type of diversion—that is Indian exporters sending to the bilateral trade area rather than to hard currency area—has been discussed. However there is another type of diversion which is the re-export of Indian teas by the east European countries to the west European countries. Re-export may mean either re-selling Indian teas or importing Indian teas but exporting domestically grown teas.[3] For instance, if domestic consumption in the USSR does not increase commensurate with its imports of tea from India but enable the USSR to increase its exports of domestically produced tea, this constitutes re-export of Indian teas.

If the USSR is using imports from Indian to increase its exports, it is the same as if the Indian imports are being re-exported, because it is the imports from India which enable the USSR to free the domestically produced teas from being consumed at home.

There are evidences to believe that there has been re-exports of tea from the east European countries, especially from the Soviet Union to west European (Table IX). The Parliamentary Estimates Committee also alleged that "there has been cases where the goods exported to east European countries under the barter agreements have been re-exported by them to other countries."[4]

TABLE IX

Imports of Tea into the UK from the USSR

(Qty. in '000' kg.)

Year	Qty*
1968	2,060
1969	1,452
1970	1,006

*Quantity has been converted into kgs.

Source: Compiled from various issues of *Annual Statement of the Trade of the United Kingdom*, Vol II. (London, Her Majesty's Stationary office.)

In terms of price, re-export may have an additional advantage over original export. That is, east European countries, when they indulge in re-sales may offer a discount and so importers may prefer to buy from them. As a result India loses its share in the convertible currency area which it could have catered for had it not diverted certain volume of its exports to the east European countries.

The government admits that there is not much it can do to prevent this kind of diversion. It has stated "as a remedial measure we tried to enforce a system of production of 'Landing Certificate' fro the ultimate "consignee". But it cou not be put into effect as it has no *deju* force and because it would amount open discrimination, rendering the who operation as an action of doubtf efficacy."[5] Therefore the better remedy not to export to east Europe (includin the USSR) beyond their actual needs fo consumption.

The exports of Soviet Union to we Europe, make one wonder whethe the common tea grown in the Sovie Union is sold in the sophisticated marke like west Europe which is highly qualit conscious? Quality teas are produce from tea bushes grown in high altitude But teas of the Soviet Union are generall grown on plains and therefore they ar mostly common teas. In all reckoning the west European market does not tak common teas produced from 'plain-grown tea bushes. Therefore if the Sovie Union is able to export teas to this mar ket for quite some times, it can be adduc ed as an indirect evidence to show tha the Soviet Union is exporting to thi market teas not grown at home but which are obtained elsewhere.

The expansion of the east Europea markets should be viewed as an additio to existing traditional markets and as such should not be allowed to grow by ruining the latter.

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[2] *The Financial Express*, May 8, 1973.

[3]. Asha L. Datar, *India's Economic Relation with the USSR and Eastern Europe—1963 to 1969*, (Cambridge 1972) p. 157.

[4]. *Utilisation of External Assistonce*; Fourth Lok Sabha, 11th Report.

[5]. *Ibid* p. 234.

TABLE VII

Estimate of Indian Tea Exports under Bilateral Agreements

(Qty. in million kg)

Countries	1970 Actual		1980 Estimated	
	Total Import Needs	From India	Total Import Needs	From India
USSR	32*	26	67	67
Other east European countries	14	4	20	16
Iraq	19	4	26	13
Total	65	34	113	96

*Including exports to other East Eurapean countries.

Source : Calculated from *Tea statistics*.

States' financial autonomy

S. P. Bakshi

A DEMAND is made from time to time that the states should be given greater financial autonomy. Those making this demand, however, seldom spell out in what respects the states lack financial independence and what changes should be made to make them financially autonomous. The states are empowered to impose various taxes under the Constitution and the central government hardly ever interferes with how they spend their revenues on the subjects which, under the Constitution, are their responsibility. The states' own tax revenues and non-tax receipts, however, considerably fall short of their requirements and have to be supplemented by large transfers from the central government. Critics of the existing central-states financial relations, perhaps, identify this lack of self-sufficiency in financial resources with the absence of financial autonomy and regard dependence on the central government in the important sphere of public finance as a serious detraction from federalism.

fiscal jurisdiction

The division of taxation powers between the central government and the state governments in the Indian Constitution has been made after a great deal of thought and after a careful examination of the experience of other federations. The demarcation of fiscal jurisdiction is designed to overcome such problems as double taxation, tax rivalry among the states, excessive cost of tax collection and tax evasion which generally arise in federal systems. It also aims at placing at the disposal of the central government sufficient powers to enable it to operate a national fiscal policy for stabilization, economic development and maintenance of external balance.

While the Constitution achieves these aims, the arrangements result in insufficiency of resources in the hands of the states compared to the responsibilities assigned to them. The Constitution-makers were conscious of this gap and provided for a suitable mechanism to fill it by financial transfers from the central government.

Now this fiscal imbalance and the consequent inter-governmental transfers are not a unique characteristic of the Indian federation. They are found in all federations, both old and new. Thus, in 1969-70, the states in the USA derived 22 per cent of their receipts from the federal government. In Canada, grants from the dominion government formed 22.5 per cent of the total revenues of the provinces. In Australia, in the same year, transfers from the Commonwealth constituted over 40 per cent of the revenues of the states. In India, in 1969-70, net transfers from the central government accounted for 38.5 per cent of the expenditure of the state governments (Table I). Thus the position in India is in keeping with the practice followed in countries which are considered models of federalism.

In the old federations, economic compulsions such as mounting defence expenditure, needs of counter-cyclical finance and requirements of a national policy for promoting regionally-balanced economic growth and unhampered inter-regional mobility of resources have led to concentration of important revenue-yielding taxes in the federal government while the regional governments are called upon to provide expensive public services necessary in a welfare state. This makes inter-governmental transfers inescapable. Walter W. Heller has put the problem of fiscal imbalance in the USA in a succinct and graphic statement. Pleading for unconditional revenue-sharing with the states, he says that the "prosperity gives the national government the affluence and the local governments the effluents". In recent times, the need for redefinition of federalism in the light of the changed balance of forces has been recognized.

In fact the orthodox or classical concept of coordinate and dualistic fiscal federalism which envisaged that each layer of the government must have under its own independent control financial resources sufficient to perform its exclusive functions has become out of date. Its place has been taken by the modern concept of cooperative federalism which recognizes the inter-dependence of the federal and regional governments and inevitabilility of transfer of resources from the federal government to the constituent units. A recent study of federal-state fiscal relations in the USA concludes:

"Federalism—old style—is dead .....Old style federalism is a lega

TABLE I

Transfers from the Federal Government to States/Provinces

Country	Unit	Total receipts/expenditure of the states/provinces	Transfers from the federal government	(4) as a percentage of (3)
(1)	(2)	(3)	(4)	
USA	Millions of US dollars	87535	19252	22.0
Canada	Millions of Canadian dollars	11559	2603	22.5
Australia	Millions of Australian dollars	3001	1204	40.1
India	Crores of rupees	4039	1556	38.5

Sources: 1. US Department of Commerce, *Statistical Abstract of the United States, 1972.*
2. Statistics Canada, *Canada, 1972.*
3. Commonwealth Grants Commission, *Thirty-ninth Report, 1972.*
4. Reserve Bank of India, *Finances of the State Governments, 1972-73*, *R.B.I. Bulletin*, September, 1972.

concept, emphasising a constitutional division of authority and functions between a national government and state governments. ....It no longer makes sense to conceptualize federalism as a wall separating the national and state levels of government. New style federalism is a political and pragmatic concept stressing the actual inter-dependence and sharing of functions between Washington and the states. This sharing of functions is most clearly and dramatically seen in the explosive growth of federal grants-in-aid.......

new trends

Taking note of the new trends, Musgrave defines fiscal federalism as "a multi-jurisdictional community.....a non-centralized national union with a general government superior to those of the constituent states (or provinces)".[3]

Even Wheare, the high priest of classical federalism, has reconciled himself to the altered state of affairs. He observes:

> ".......There remains one strong element in the tendency of general governments to increase their powers and that is the financial predominance which they have attained. The regions have not succeeded in resisting this and it is noticeable that, with all their assertions of independence and of their determination to resist unification, there is a tendency to accept at the same time a large measure of financial assistance from the general government. ....The present predominance is likely to be permanent. ....The regions will cling to their areas of independent power, to the topics over which they have legislative and executive control but in return for this they will have to accept from the general government some degree of financial assistance and with it a greater or less degree of control. This means a modification of the federal principle to some degree though it need not mean a complete denial of federalism ..... But such a combination may well prove workable and it may produce better government than complete independence in finance and jurisdiction".[4]

Thus the political and economic theoreticians have taken due note of the change in the financial relationships between the two layers of government in the federations and have reformulated the federal principle. The union-state financial relations in India conform to the redefined principle of fiscal federalism. In the sphere of public finance, India is as true a federation as the USA, Canada, Australia or Switzerland.

It is sometimes said that India is a federation by disaggregation where administrative units in a unitary government were transformed into semi-autonomous states and were vested with such powers as the central government which fathered the state chose to part with and that is why the centre enjoys extraordinary strength and predominance. As will be clear from what has been said above, primacy of the centre in the Indian union, at least in the sphere of public finance, is not due to the process through which the federation came into being and is not extraordinary but is in keeping with fiscal federalism as practised in other federations. It must be said to the credit of the founding fathers of the Indian Constitution that they penetrated through the legal forms to the actual realities and took due note of the emerging trends in the existing federations to provide for a sound framework of financial relations between the union and the states.

financial autonomy

How autonomous are the states or regions in the new fiscal federalism? To be sure, financial autonomy of the states has not been thrown over-board; only its meaning and criterion have been modified. Financial autonomy does not now mean absolute independence and self-sufficiency in financial resources. Wheare suggests a new criterion:

> "If grants are to be a permanent feature of a federal finance, it seems essential that there amount should not depend upon the goodwill of the granting government, for if they so depend, the federal principle is thereby modified"[5]

A similar principle of fiscal federalism and financial autonomy of states in a federation is expounded by Ursula Hicks:

> "If the federal government has control over custom duties, company profits taxes and personal income tax on the higher income, is it possible to preserve the financial autonomy of the States? It is relevant to ask here what is really implied by financial autonomy. This appears to be a point on which there is considerable divergence of outlook between political theorists and economists. The former are reluctant to admit that autonomy can be guaranteed without fiscal independence in the sense of little or no necessity for grants to states from the federal government. The later, no doubt, with their eyes fixed on the pressure for a rapid economic development and the necessity for a national policy to secure it would be satisfied with much less autonomons revenue so long as true budgetary independence at the state level is assured in the sense that states can choose the layout of there public expenditure without interference and can adjust the revenue side to that choice by means of taxes over which they have control both as to terms and rates."[6]

workable criteria

These are good workable criteria to judge the degree of financial autonomy enjoyed by the states in the Indian union. To what extent are the transfers of financial resources to states dependent on the discretion of the central government and how much does the central government interfere with the layout of public expenditure by the states?

Various categories of transfers of financial resources from the central government to the states, provided for in the central budget 1973-74, are listed in Table II. By far the biggest category consists of the states' share of central taxes and grants-in-aid of revenues, estimated at Rs 1326 crores. Both the total amounts of these transfers and their distribution among the states are determined (strictly according to the formulae laid down by the Finance Commission which is an independent quasi-judicial body set up periodically under the Constitution and whose recommendations are, by convention, accepted by the central government as an award. These transfers are automatic and the amounts are credited to the state governments every month without their stirring a finger. The states treat them as assured receipts. They are completely unconditional grants, to be spent as deemed fit by the state governments.

The other big portion of the central transfers comprises the central assistance for the state plans. Its magnitude has been put at Rs 850 crores in the central budget 1973-74. The total amount of this assistance for the fourth five year Plan and the criteria for its distribution

among the states have been laid down by the National Development Council on which chief ministers of all the states are represented. These criteria are spelt out in detail in the fourth five-year Plan[7]. The central government exercises little discretion in disbursement of this amount. Each state claims its share as of right. This assistance is in the form of block loans and grants, not related to any set of specific schemes. The only condition attached to this category of assistance is that a state government's expenditure on the development plan must not fall short of the target set by the state government itself in consultation with the Planning Commission. In case of shortfall a *pro rata* cut is effected in the central assistance. This condition, however, does not interfere with the Plan priorities of the state governments. State plans are drawn up by the state governments themselves, with guidance from the Planning Commission, in the light of local needs and priorities.

mere reimbursements

The next category of transfers to states—Rs 363 crores in the central budget 1973-74—relates to amounts given to the states for execution of schemes in the central government's Plan. In this case the states act as agents of the centre. The financial transfers are, therefore, mere reimbursement of expenditure incurred by the states on central schemes and do not constitute any assistance to them.

Loans to states as their share of small savings—Rs 240 crores in the central budget 1973-74—are given in accordance with a set formula whereby a state government gets two-thirds of the net amount of small savings collected in the state. These loans are also unconditional and are passed to the state governments automatically. The central goverment exercises little discretion in disbursement of these amounts.

The remaining amounts are for assistance to states in emrgencies—for relief of natural calamities, for tiding over ways and means difficulties, for advancing short-term loans to farmers for purchase of agricultural inputs, for meeting emergent gaps in resources etc. Obviously this assistance cannot be distributed among states in predetermined proportions just as shares in central taxes and central assistance for state plans are distributed. Even so, well-known criteria have been prescribed for allocating amounts to states needing such assistance and the element of discretion has been minimized.

Thus transfers to states are made, by and large, in accordance with set formulae and criteria and central government exercises little discretion in their allocation. For the most part, they are unconditional and automatic and are treated by the states as assured receipts, to be claimed as of right. Nothing is, therefore, farther from the truth than the statement describing the states as mendicants and supplicants for central assistance.

The other criterion of financial autonomy of states requires that the states should be free to order their pattern of expenditure, about schemes of development in accordance with local needs and priorities and make adjustments in their Plans according to requirements of the situation. It is quite true that in th early phases of planning, the practice fel short of this ideal In order to promot development in desirable directions and to provide incentive to states to under take schemes to meet the minimum need of the people, central assistance used t be tied to various schemes. This left ver little initiative for the state government in shaping their development programme and made inter-sectoral adjustment diffi cult. It also resulted in shortfalls i utilization of assistance. The procedure for sanctioning development schemes fo the states and channelling central assis tance to them were, no doubt, rigid an cumbersome. Still the situation was no worse than that prevailing in the USA an official account of which is reproduce below:

"The Federal Government has al

TABLE II

Financial Transfers from the Central Government to States in 1973-74 (Budget Estimates)

(Rs in crore

A. **Amounts disbursed under the Finance Commission's award**	132
Share in income tax	5
Share in union excise duties	6
Estate duty	
Statutory grants-in-aid	1
Grants in lieu of tax on railway passenger fares	
B. **Amounts disbursed under the criteria laid down by the National Development Council**	8
Grants for state Plans	2
Loans for state Plans	5
C. **Amounts paid to states for execution of central Plan schemes and centrally sponsored schemes**	3
Grants	3
Loans	
D. **Amounts transferred to states as share of small savings collections**	2
E. **Amounts paid to states for relief of natural calamities**	1
F. **Short-term loans for ways and means assistance and purchase of fertilizers and special accommodation to states**	
G. **Miscellaneous Transfers**	
Grand Total	33

Source: Government of India, Ministry of Finance, *Budget at a Glance* (*1973-74*) a *Explanatory Memorandum on the Budget of the Central Governmet for 1973-7*

ready responded impressively to the fiscal problems of the state and local governments. Federal aid has risen from $ 1.8 billion in 1948 to $ 30 billion in 1971—primarily in the form of narrowly-focussed categorical grants ...... This approach has produced a welter of specific narrow programmes which are poorly coordinated and are often in conflict. It has meant a great deal of programme delay and uncertainty. Most seriously, it has resulted in erosion in the authority and responsibility of Governors and Mayors. It has over-centralized decision-making and created nearly autonomous governmental bureaucracies, especially at the Federal level".[8]

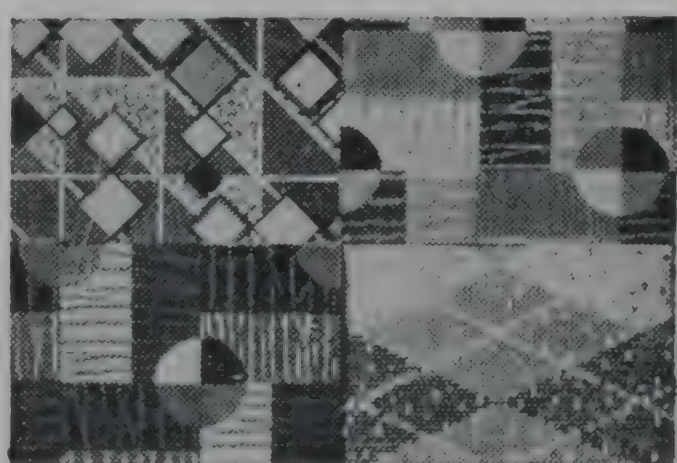
All this is, however, now past history. rom the commencement of the fourth ve-year Plan, central assistance for the tate Plans is given in the shape of block oans and grants, not related to any articular scheme. The states have now ull freedom to draw up their developnent plans in accordance with their own eeds and aspirations, subject, of course, o the overall national priorities.

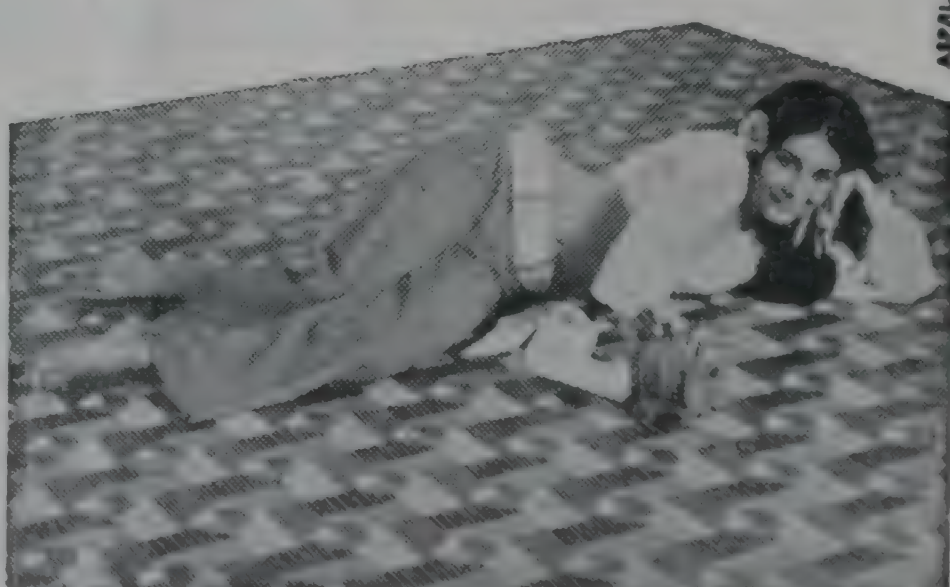
riteria satisfied

Thus both the criteria of financial autoomy are satisfied in the case of states in e Indian union and the states can be aid to be enjoying a very large measure of utonomy in the fiscal sphere. In fact, there a feeling in certain quarters that we have arried the financial autonomy of states oo far. Management of finances in most f the states leaves much to be desired, as evident from phenomenal growth of nonevelopmental expenditure, disinclination o raise additional resources, inefficiency n tax collections and, till recently, mounng overdrafts with the Reserve Bank of ndia. A keen student of fiscal federasm in India observes:

> ".....Too much ado has been made about the proportions of federal tax receipts to be shared with states and the criteria for allocation of shared taxes among them; but much too little attention has been devoted to an examination of the adequacy of the tax effort and economy of their expenditure".[9]

It may be asked why more taxation owers are not given to the states when heir resources are not sufficient for their eeds and have to be augmented by large ransfers from the centre. Such a course, may be argued, will be in confirmity ith the principle of fiscal responsibility hich states that those who have the pleasurable task of spending money should lso have the responsibility for raising it.





There are, however, several reasons why the fiscal imbalance in the states cannot be remedied. It has already been stated that division of taxation powers between the centre and the states has been made after a great deal of careful thought and each level of government has been assigned taxes which can be best administered by it. It is a common problem of all federations that there is only a limited number of taxes which can be allocated to the constituent units. After a masterly survey of the principles which should govern allocation of taxation powers to the two tiers of government in a federation, J.R. Hicks concludes:

> "The conclusion which we have reached in this chapter may be summarized as follows. We have seen, in the first place, that the case for making some use of the method of separation of taxes in order to give regional governments some revenues of their own which they can control and adjust to their own needs, is overwhelmingly strong. But we have also seen that it may be difficult to find an adequate supply of taxes for this purpose. In so far as it is not possible to find sufficient taxes, the regions will still require to be financed by grants from central revenues."[10]

unsatisfactory record

The question of expanding the taxation powers of the states is also to be considered in the light of the states' willingness and ability to utilize the powers already available to them under the Constitution. The record of the states in this matter is far from satisfactory. The revenue potential of the agricultural sector remains to be exploited. There is considerable scope for raising additional resources from other taxes also. Not only have the states refrained from fully exploiting their taxation powers, but also quite a few of them have given up use of some of the taxes in their fiscal jurisdiction. One cannot be sure that transfer of some of the taxation powers from the centre to the states will really augment the latter's resources.

Transfers of resources from the centre to the states do not serve only the financial purpose, that is, filling in the gaps in resources of the states. They also serve the higher purpose of redistribution of income and reduction of regional economic disparities. If these transfers are eliminated and states are given additional taxation powers so as to make them self-sufficient, regional disparities will be accentuated to intolerable limits.

Successive finance commissions have been progressively weighting the distribution of the states' share in central taxes in favour of poor and backward states. The National Development Council formula for distribution of central assistance for the state plans also favours such states. It is relevant to ask how far the objectives of redistribution of income and transferences of more resources to backward states have been fulfilled in practice.

One test is to measure the degree of fiscal equalization achieved among various states. Fiscal equalisation means that every citizen of the federation should be provided with equal, or almost equal, standard of education and social welfare, irrespective of the state in which he resides and for this purpose there shoul be a national pool which should suck resources from wherever they are avai able and on which various states shoul draw according to their need. Th standard of public services provided b a state can be objectively measured b the per capita developmental expenditure

An attempt to measure the extent fiscal equalization, made possible b transfers from the centre, has been mad in Table III which lists each state's ow revenue and capital receipts per capit federal transfers per capita and develop mental expenditure per capita. Coeff cient of variation of each series has bee calculated. It will be seen that the stat vary markedly in their own reven receipts and capital receipts per capit The coefficients of variation are 42.36 ar 41.87 respectively. The variation is r

TABLE III

States' own Ravenues, Federal Transfers and Developmental Expenditure per Capita 1970-71 (Accounts)

(Rupee

State	Revenue Account: States' own revenue per capita	Revenue Account: Transfers from centre per capita	Revenue Account: Total revenue receipts per capita	Capital Account: States' own receipts per capita	Capital Account: Net loans from centre per capita	Capital Account: Total receipts per capita	Developmental expenditure per capi
Andhra Pradesh	37	23	60	8	3	11	
Bihar	17	21	38	7	8	15	
Gujarat	55	23	78	22	2	24	
Haryana	62	22	84	26	8	34	
Kerala	43	26	69	11	12	23	
Madhya Pradesh	33	20	53	8	—	8	
Maharashtra	64	22	86	24	6	30	
Mysore	51	20	71	18	6	24	
Orissa	23	32	55	11	7	18	
Punjab	89	24	113	22	—	22	
Rajasthan	32	29	61	13	13	26	
Tamil Nadu	48	20	68	12	5	17	
Uttar Pradesh	26	20	46	9	4	13	
West Bengal	33	25	58	16	13	29	
Average	44		67	14		21	
Standard deviation	18.64		18.31	6.28		7.35	17.
Coefficient of variation	42.36		27.33	41.87		34.99	30
Assam	23	43	666	6	18	24	
Jammu & Kashmir	37	81	118	16	54	70	
Nagaland	14	575	589	10	50	60	4

Notes: (1) Assam, Jammu & Kashmir and Nagaland have been excluded from calculation of coefficient of variation because of special treatment acc ded to them in distribution of central assistance for state plans.

(2) Computations are based on the data published in the *Reserve Bank India Bulletin*, September, 1972.

duced to some extent by federal transfers which have a mildly equalizing effect. The coefficients of variation of total revenue receipts per capita and total capital receipts per capita (including federal transfers) are 27.33 and 34.99 respectively. For developmental expenditure per capita, the coefficient of variation is 30.32. These calculations thus show that inequalities among states in per capita receipts and developmental expenditure are mitigated to some extent by federal transfers. Degree of equilization achieved, however, cannot be said to be quite satisfactory and much more needs to be done in this direction.

redistributive effect

The other way to adjudge the redistributive effect of transfers of resources from the centre is to measure the correlation between economic backwardness and amount of per capita federal transfers. The exercise has been made in Table IV which shows the ranks of various states in economic backwardness (the state with the lowest per capita income being assigned the first rank), and per capita receipts of some important categories of federal transfers. Coefficients of rank correlation between economic backwardness and per capita receipts of each category of federal transfers have been worked out and are shown at the bottom of the table. It will be seen that the coefficient is negative in the case of income tax. This is not surprising because 10 per cent of the states' share in income-tax is distributed on the principle of derivation and 90 per cent on the basis of population. The former principle is regressive in character while the latter is neutral. The result is that the rich states get a greater share per capita than the poor states. The coefficient is also negative in the case of additional excise duties because a very large part of these duties is distributed on a principle akin to the principle of derivation and the remaining part on the basis of population. In the case of central assistance for state plans, the coefficient is positive but not highly significant. Ten per cent of this central assistance is reserved for backward stat[es] and the remaining 90 per cent is distr[i]buted on such neutral or uncertai[n] criteria as population, (60 per cent) ta[x] effort (10 per cent), special problems (1[0] per cent) and continuing irrigation & powe[r] schemes (10 per cent). It is only in th[e] case of basic excise duties that the co[e]fficient is positive and significant becaus[e] about 14 per cent of the states' share i[n] these excise duties is reserved for back[]ward states, six per cent is distribute[d] according to an index of backwardnes[s] improvised by the Finance Commissio[n] and remaining 80 per cent on the basi[s] of population. The conclusion is tha[t] while the distribution of states' share o[f] income-tax and additional excise duties i[s] regressive, that of central assistance for state plans and states' share of basic excise duties (which is by far the biggest and expanding category of federal transfers) is weighted in favour of backward states.

TABLE IV

Ranks of States in Economic Backwardness and Per Capita Receipts of Various Categories of Federal Transfer 1970-71 (Accounts)

State	Economic backwardness	Share of income-tax	Share of basic excise duties	Additional excise duties	Central assistance for state plans
1. Andhra Pradesh	7	7	8	10	14
2 Assam	10	16	16	13	3
3 Bihar	2	10	1	17	10
4 Gujarat	15	4	14	2	13
6. Haryana	16	11	17	9	6
6. Jammu & Kashmir	6	12	2	8	2
7. Kerala	12	9	7	7	5
8. Madhya Pradesh	4	14	6	15	9
9. Maharashtra	14	1	13	1	17
0. Mysore	9	6	10	12	2
1. Nagaland	1	17	12	6	1
2. Orissa	8	13	3	15	8
3. Punjab	17	5	9	4	7
4. Rajasthan	3	15	5	14	4
5. Tamil Nadu	11	3	11	3	16
6. Uttar Pradesh	5	8	4	11	11
7. West Bengal	13	2	15	5	15

[N]ote: 1. Coefficient of rank correlation between economic backwardness and per capita [r]eceipts of share in income tax = —0.37

2. Coefficient of rank correlation between economic backwardness and per capita [r]eceipts of share in basic excise duties = +0.62

3. Coefficient of rank correlation between economic backwardness and per capita [r]eceipts of additional excise duties = —0.37

4. Coefficient of rank correlation between economic backwardness and per capita [r]eceipts of central assistance for state plan = +0.35

(The computations are based on the data published in the *Reserve Bank of India [Bu]lletin*, September, 1972).

The conclusions of this study may now be summarized. The states' dependence on the centre for financial resources is not a negation of federalism as redefined in the light of new economic compulsions. According to the criteria suggested for the states' financial autonomy, the states in the Indian union enjoy a fairly large measure of autonomy. The federal transfers seek to mitigate regional disparities and to achieve equalization of per capita social and developmental expenditure in various states. They, however, achieve this objective only partially. They should be weighted more heavily in favour of backward states if they are to fulfil their basic rationale.

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Maharashtra's changing economic scene

K. S. V. Menon

NATIONAL INCOME is the most important yardstick which is used to measure the progress or otherwise of an economy. With all its limitations, its structural composition is generally employed to indicate the level of industrialisation as well. When the relative contribution of the primary sector (comprising agricultural, forestry and fishing) declines and when the relative shares of secondary and tertiary sectors tend to move up, the economy is said to be taking to the path of industrial growth.

If recent changes in the level and composition of national income of Maharashtra are any guide, the state's economy is the most diversified and industrialised among all the constituent units of the country. Table I indicates the growth of national income and the state income. It will be seen that the state's income registered an increase from Rs 1597 crores (at 1960-61 prices) in 1960-61 to Rs 2124 crores in 1971-72, whereas the per capita income rose from Rs 409 to Rs 416.2 as against the all-India figures of Rs 306.3 and Rs 347.0.

significant point

A significant point to be noted is the lag in the growth rates of national income and per capita income. While the index of the former advanced to 130 (1960-61=100), the latter moved marginally to 101. What is worse, the growth of the state's per capita income is below that of the all-India average. In short, over the decade, 1960-61 to 1970-71, the state's income registered an improvement of only 29.7 per cent as against the national average of 41.1 per cent, and in the case of per capita income the respective figures are 1.7 and 13.7 per cent.

The changing composition of the state's income partly explains the reasons for the co-existence of low per capita income and the relatively better indicators of economic development as shown in Table II. The composition of the state's income has undergone a perceptible transformation (vide Table III).

It can be discerned from Table III that the contribution of primary sector to the state's income has declined from 41.6 per cent in 1960-61 to 28.6 per cent in 1970-71. This decline has, however, been taken care of by the secondary and tertiary sectors. The former registered an improvement from 26.7 per cent to 34.1 per cent while the latter drifted upward from 32.2 per cent to 37.0 per cent during the period under review. No doubt there has occurred some change in the all-India figure, and the contribution of the primary sector has fallen from 51 per cent to 49.7 per ce[nt]. The relative change is thus marginal.

The implications of these trends [in] the light of virtual stagnation in the r[eal] per capita income are of wide importan[ce]. It was seen earlier that the state fa[red] relatively better in many respects. Ev[en] other related factors like industrial lice[n]ces granted, capital raised or institut[io]nal finance sanctioned reveal the sa[me] phenomenon. For instance, as on Ma[rch] 31, 1972, there were 704 joint sto[ck]

TABLE I

National Income and Maharashtra's Income

Year	*Maharashtra* State Income (Rs in crores)	*Maharashtra* Per Capita Income (Rs)	*India* Nationol Income (Rs in crores)	*India* Per Cap. Income (Rs)
1960-61	1,597 (100.0)	409.0 (100.0)	13,294 (100.0)	306. (100.
1961-62	1,596 (99.9)	398.6 (97.5)	13,763 (103.5)	310. (101
1962-63	1,643 (102.9)	400.6 (97.9)	14,045 (105.6)	309. (101.
1963-64	1,712 (107.2)	407.4 (99.6)	14,885 (111.7)	31 (104
1964-65	1,767 (110.6)	410.4 (100.3)	15,917 (119.7)	33 (109
1965-66	1,704 (106 7)	386.3 (94,4)	15,021 (113 0)	31 (101
1966-67	1,794 (112.3)	396.8 (97.0)	15,243* (114.7)	307. (100
1967-68	1,888 (118.2)	407.7 (99.7)	16,660* (125.3)	329. (107
1968-69*	2,007 (125.7)	422.9 (103.4)	17,057 (128.3)	32 (107
1969-70*	2,064 (129.2)	424.7 (103.8)	17,955 (135.1)	339. (110
1970-71	2.071* (129.7)	415.8* (101.7)	18,755† (141.1)	347 (113

*Provisional †Quick estimate

Note :—Figures in backets indicate precentages to 1960-61 figures.

Source : *Maharashtra Economic Re[view]*

companies with a paid-up capital of Rs 902 crores against the all-India figures of 32,562 companies and Rs 4653 crores. About 35 per cent of the financial assistance sanctioned by the Industrial Credit and Investment Corporation was accounted for by this state.

The advances registered by the secondary and tertiary sectors of the economy does not seem to have brought any considerable improvement to other sectors of the population. The number of agricultural workers and cultivators too has increased. Another problem which has not received the attention it deserves is the year to year fluctuations in the fortunes of agriculture and their impact on the economy. These fluctuations are truly reflected if one were to look at the chain index numbers by taking previous year as base. It will be evident from Table IV that the income from agriculture fluctuates more violently than that of the state's income as a whole and that the secondary sector has more or less maintained the rate of growth except in one or two years (1966-67 and 1967-68) when the primary sector was better off.

changed cropping pattern

These figures by themselves do not explain another important change in the agricultural economy of the state which has some influence on the income of the farmers as well. It is the change in the cropping pattern. The area under cereals has declined from 1,06,04,000 hectares in 1960-61 to 1,00,96,000 hectares in 1971-72. Staple products like rice and wheat are not affected, but area under minor cereals such as jowar and bajra has fallen from 6,284,000 to 6,169,000 and 1,635,000 hectares to 1,135,000 hectares respectively during the period under review. Area under pulses too declined from 2,427,000 thousand hectares to 2,080,000 hectares.

The area under sugarcane registered a remarkable rise from 91,000 hectares in 1955-56 to 182,000 hectares in 1971-72. Whether this shift in cropping pattern particularly to a commercial crop like sugarcane has benefited the income of the average agriculturist and the agricultural labour is a moot point. What is more crucial is the rapid progress made by the sugar industry in general and the sugar co-operatives in particular which need not necessarily have contributed to the equitable distribution of income and there is reason to believe that it has tended to accelerate the process of concentration of economic power in the hands

TABLE II

Major Economic Indicators

Major Economic Indicators	Maharashtra	India
Percentage of urban population to total population	31.2	19.9
Percentage of workers to total population	36.5	32.9
Literacy percentage	39.2	29.5
Yield per hectare		
a) Foodgrains (kgs)	494	819
b) Sugarcane (in terms of cane) (kgs)	66.442	48,938
Average daily employment of factory workers per thousand total population	20.2	9.0
Gross output in industry per capita (Rs)	466.0	148.0
Value added per capita (Rs)	120.0	42.0
Consumption of electricity per capita (kwh)	153.3	80.9
No of banking office per lakh of population	5.4	2.9
Bank credit of commercial banks per capita	262.4	83.9
Motor vehicles per lakh of population	553	298

Source : *Ibid*

TABLE III

Composition of National Income and State Income

(*in percentage*)

Year	1		2		3		4	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1960-61	41.6	51.0	26.7	20.1	17.3	14.0	14.4	14.9
1961-62	37.5	49.9	28.8	20.6	18.2	14.3	15.5	15.2
1962-63	36.2	48.0	29.9	21.4	17.9	14.8	16.0	15.8
1963-64	36.8	48.6	29.9	21.5	17.9	14.5	15,4	15.5
1964-65	37.1	50.5	29.5	20.3	18.0	14.4	15.4	14.7
1965-66	32.8	47.8	31.5	21.1	18.9	15.2	16.8	15.9
1966-67	33.7	49.8	30.8	19.9	19.2	15.3	16.3	15.0
1967-68	34.6	52.9	31.3	18.3	18.0	14.7	16.1	14.1
1968-69	32.7	50.1	32.2	19.3	18.3	15.4	16.8	15.2
1969-70	31.4	49.7	33.1	19.9	18.3	15.3	17.2	15.1
1970-71	28.9	NA	34.1	—	19.4	NA	17.6	NA

Note :

(1) consists of agriculture, animal husbandry, forestry & fishing.

(2) consists of mining, industry, construction trade and electricity

(3) consists of transport & communications, trade etc. and

(4) consists of banking & insurance, real estate & ownership of dwellings public administration and other services. (a) stands for State Income and (b) for all India National Income.

Source : 1 *Economic Survey*, Ministry of Finance,
2 *Bureau of Economics & Statistics*, Government of Maharashtra.

of a few at the cost of a vast number of agriculturists. The fact that out of Rs 83.05 crores of financial assistance rendered by the IFC, as much as Rs 37.05 crores went to the sugar industry is also equally significant.

Small wonder the number of people under the poverty line seems to have gone up in Maharashtra. On the basis of 1963-64 consumption expenditure study carried out by the National Sample Survey, and using the average assumed minimum national consumption expenditure of Rs 37 per month (Rs 28 for rural population and Rs 40.5 per month in urban sectors), the total number of population below the poverty line in Maharashtra was estimated at 16.2 million or 33.5 per cent of the total population.

no tangible benefits

According to the 26th Round of the National Sample Survey conducted during July 1971 to June 1972, the position seems to have further deteriorated. It will be seen from Table V that even taking Rs 28 as minimum expenditure, as much as 39.14 per cent of the rural population and 40.97 per cent of urban population can be estimated to be under the poverty line. Thus, the apparent rise in national income and development in various fields of economic activity combined with a diversified economic structure has not brought any tangible benefit to the average citizen of the state.

About 10 per cent of the population at the bottom could spend hardly Rs 21 a month, while five per cent of the population was having less than Rs 18 to spend a month. That about 73 per cent of the expenditure of the rural population is on food items, (62 per cent in the case of urban population) clearly shows the real character of standard of living of the people. Modern amenities are available to hardly 10 per cent of the elite—a general phenomenon in the country.

The conclusion which emerges from this analysis is that the the apparent prosperity of the state is illusory and that it is paradoxical but quite natuaral in the present socio-economic policy framework that when the state has registered substantial progress in every sphere of economic activity, the vast majority of its citizens are outside the fruits of this progress.

The seeming disparties of income and wealth and the consequent differences in standards of living between a few at the top and a vast number at the bottom is thus more pronounced in Maharashtra than elsewnere in the country. This i[s] a stark reality with profound operationa[l] implications of wide demensions on th[e] body politic of the state.

TABLE IV

Chain Indices of State Income (By taking previous year as base)

Year	Agriculture	Secondary sector	All Sectors
1961-62	89.1	108.0	99.9
1962-63	102.2	103.2	103.0
1963-64	102.7	105.5	104.2
1964-65	99.0	106.2	103.2
1965-66	79.6	106.3	96.4
1966-67	109.5	102.4	105.3
1967-68	109.5	104.0	105.3
1968-69	105.5	106.7	106.3
1969-70	97.7	106.4	103.5
1970-71	90.9	105.2	100.8

Source : *Estimates of Income of Maharasharastra,* Bureau of Economics & Statistic[s]

TABLE V

Percentage Distribution of Population According to Monthly Per Capita Expenditure Classes

Monthly per capita expenditure classes (in Rs.)	July 1970 to June 1971			July 1971 to June 197[2]		
	Rural	Urban	State	Rural	Urban	Stat[e]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
0-13	1.32	0.22	0.98	0.42	0.10	0.32
13-15	1.60	0.15	1.15	1.22	0.24	0.91
15-18	4.41	1.11	3.38	3.20	0.57	2.38
18-21	7.50	2.27	5.87	7.46	2.20	5.82
21-24	11.68	3.02	8.98	10.92	3.17	8.50
24-28	13.08	5.59	10.74	15.92	6.10	12.86
28-34	18.29	13.55	16.81	18.12	10.68	15.80
34-43	18.34	17-81	18.17	19.68	17.91	19.12
43-55	12.40	17.68	14.05	13.21	18.18	14.76
55-75	7.21	17.39	10.38	6.75	16.29	9.73
75 and above	4.17	21.21	9.49	3.10	24.56	9.80
All classes	100.00	100.00	100.00	100.00	100.00	100.00
Monthly per capita expenditure (in Rs)	36.22	59.34	43.43	36.14	61.89	44.17

Note : (i) The figures are bassed on the state sample of the National Sampl[e] Survey.

(ii) The figures are provisional.

(iii) The percentage for the state in column 4 and column 7 have been wor[-]ked out by pooling corresponding rural and urban figures with 197[1] census as base.

WINDOW ON THE WORLD

Increasing competition in tourism

London

Jossleyn Hennssey

I

An Ever Growing Industry

URISM HAS developed rapidly in cent years, despite occasional setbacks, d for many countries it has become major earner of foreign exchange. deed, taking the world as a whole, it said to contribute more to the curnt account of the balance of payents than any other single branch of tivity. Certainly receipts from intertional tourism have been growing ster than world exports. For 1970 they re put at £7,500 million, equivalent 6.5 per cent of total exports against ,430 million and 5.4 per cent 10 years fore and £750 million and 3.4 per nt in 1950. The annual rate of increa- over the period was 11 per cent ainst 9 per cent for world exports as whole and only 6 per cent for those primary products.

Thus the importance of attracting urists from abroad is recognised not ly by advanced countries wishing to prove their external balance but also those whose economies are less deveped and who see the growth of tourism a means of accelerating development any developing countries have encouraged tourism in their overall development plans, since it is a labour-intensive ustry and expenditure by tourists as quickly through the recipient onomy generating further expenditure d [illegible] investment opportunitie ere none might have existed previ sly. A United Nations committee has ed that "tourism is one of the most effective redistributive factors in international economic relationships".

Table I shows how international tourism has developed since 1960. At constant prices receipts of the 21 leading tourist countries more than doubled over the decade to 1970, rising at an annual average of nearly 8 per cent. Expansion generally was rapid up to 1966 after which there was a slow down. Indeed for some countries—France, Italy and Portugal—real expenditure was lower in 1970 than four years before.

The countries whose receipts have increased most over the ten years have been Portugal (by nearly seven times, despite a sharp decline between 1966 and 1969), Finland (five times), Turkey (more than four times since 1962), and Japan, Spain and Austria (all more than three times). Some of these increases will have been from a relatively low base; the growth recorded for countries such as the United Kingdom, France and Italy, where tourism was already well-developed in 1960, has been comparatively modest, one-half or a little more. Other factors that have contributed to the disparities in rates of growth have been (1) the emergence of cheap mass tourism and inclusive tours, which has brought more countries within the reach of an increasing number of travellers and (2) changes in the relative cost advantages of particular countries because of movements in exchange rates.

From admittedly unsatisfactory statistics relating to tourist arrivals (International Tourism and Tourist Policy in OECD Member Countries, OECD 1972), it would appear that well over five times as many people visited Spain and Portugal in 1970 as 10 years before, nearly thrice as many visited France, and twice as many went to Austria, but for West Germany and Italy increases were little more than 50 per cent. As with tourist earnings, the growth in the number of arrivals slowed down between 1966 and 1968.

TABLE I

International Tourist Receipts

(at constant prices 1960=100)

	1966	1968	1970
Austria	210	228	310
Belgium-Luxemburg	176	199	239
Canada	164	178	n.a.
Denmark	140	142	173
Finland	217	268	493
France	166	144	161
Germany	145	163	196
Greece	248	208	256*
Iceland	169	143	171
Ireland	130	121	115*
Italy	173	168	172
Japan	142	207	335
Netherlands	204	190	214
Norway	152	160	201
Portugal	934	675	670
Spain	298	252	320
Sweden	118	123	n.a
Switzerland	152	153	160*
Turkey (1962=100)	128	234	434
United Kingdom	107	110	151
United States	160	168	200
Total of above	180	180	213

*1969

The OECD Tourism Committee stated in its 1970 report that "international tourism is still very much a growth sector but its growth rate remains quite sensitive to economic and social factors and to government intervention". The next year, however, the committee was able to report that "despite uncertainty in economic conditions generally during 1971, international tourism in OECD member countries continued to grow fast, thus demonstra-

ting its ability to withstand perturbations in the economic climate".

Among the main factors that have contributed to the growth of foreign travel over the years has been the growth of disposable incomes, especially in Europe and the United States. Expressed as a proportion of the total spent in the United Kingdom, consumers' expenditure abroad on balance rose only slightly between 1961 and 1971, but the absolute increase was large, from £276 million to £544 million at current prices. Moreover, because of faster aircraft and package tours, the cost of foreign travel, relative to the cost of other consumer goods and services, has been falling steadily year by year.

longer holidays

Another important growth factor has been the trend towards longer holidays. In 1951 only three per cent of all full-time workers in Britain, who enjoyed a basic holiday entitlement, had more than two weeks paid holiday a year; by 1971 this percentage had risen to 72, with 67 per cent receiving three weeks and over. Experience in other industrial countries has been similar.

Business travel, which accounts for roughly 15 per cent of the number of trips made abroad from the United Kingdom, has also been rising strongly. It has been stimulated by the internationalisation of business generally, and particularly by the growth of multinational companies. The total number of business visits undertaken by UK residents rose by 14 per cent in 1971 to 14 million, of which just over 1 million were to western Europe, and 69,000 to the United States and Canada, nearly all by air.

The importance of tourism in national economies is in many countries recognised by official encouragement, often through government participation in tourist development projects. In several countries special institutions provide official loans to the tourist sector. International finance—especially for developing countries where local sources of capital may be inadequate—is available from bodies such as the World Bank, International Finance Corporation and the International Development Association. Private financial institutions also participate.

Subsidies, selected credits and tax benefits are widely granted. In the UK hotels have benefited from investment incentives for hotel building and improvement.

The UK Development of Tourism Act of 1969 was a watershed. It established four statutory authorities—the British Tourist Authority and the English, Scottish and Welsh Tourist boards. The BTA has taken over the overseas promotional functions of the voluntary co-operative body, the Travel Association; the three boards encourage tourist activity within their countries and provide financial aid within the terms of the Hotel Development Incentives Loans and Grants Schemes. This scheme was introduced for a limited period which expired in March; under it, grants at the rate of 20 per cent of eligible expenditure were made available for work begun between April, 1968, and March, 1971, and completed by March 31, 1973. The scheme included new hotel building, alterations and extensions to existing hotels, and the buying of some equipment such as central heating. It is expected that grants totalling £50 million will be paid in due course. Loans were also granted for hotel building, alterations and installation of equipment where the cost exceeded specific levels. Higher rates of grant were paid to stimulate tourism in Development Areas.

II

The Balance of Payments

The UK travel account covers personal expenditure by UK residents in overseas countries and by overseas residents in the UK, except for payments for shipping and air transport booked in advance on the international routes. The account was in deficit through most of the 1960s, moving into surplus from 1968, i.e. after the devaluation of sterling. Table II shows the movements in the travel accounts since 1960: swift growth in both tourist receipts over the second half of the decade and in expenditure by British tourists abroad following a down turn between 1966-68. Gross earnings from travel have been amongst the fastest growing credit items in the invisibles account for the past twenty years. For the first ten years after the war spending by British tourists outside the sterling area was limited by exchange controls; these were gradually relaxed in the second half of the 1958-66. The reintroduction of personal seas spending almost doubled between 1958|66. The reintroduction of personal travel allowances in 1966 contributed to the fall in overseas expenditure of £23 million in 1967 and a further small reduction in 1968, but increases of about one fifth occurred in 1969 and 1970: exchange restrictions were virtually removed from January, 1970.

TABLE II

UK Travel Account

(in £ millior

Year	Debits	Credits	Balan
1961	200	176	—2
1962	210	183	—2
1963	241	1·8	—5
1964	261	190	—7
1965	290	193	—9
1966	297	219	—7
1967	274	236	—3
1968	271	282	+1
1969	324	359	+3
1970	382	432	+5
1971	437	489	+1
1972	528	538	+1

The surplus on travel account sinc 1968 has made a useful contribution t the balance of payments, although tourism accounts for only a small propor tion of total UK overseas expenditur and receipts. Tourism accounted fo less than one-tenth of gross UK invisi ble earnings in 1970 compared wit over two-thirds for Austria, two third for Spain, one third for Portugal, on quarter for Italy, Switzerland and Fran ce and one eighth for West Germany.

III

Problems of Tour Operators

The most striking development ove the postwar period has been the growtl of "package holidays", which now ac count for 60 per cent of all foreign holi days by UK residents compared wit 30 per cent in 1960. Tour operator organise them for a price paid in ad vance, which usually includes transport accommodation, excursions and othe facilities. The main reason for the suc cess of "package" holidays has beer their relative cheapness; tour operator can make bulk hotel bookings mor cheaply and arrange a charter contrac for seats on aircraft at prices belov normal scheduled rates.

After 1960 competitive pressure o tour operators became acute. In trans port, with the introduction of new air craft, scheduled airlines became increas ingly able to compete with charter fligh seat prices. Meanwhile official regula tion of charter operations was strength ened in order to protect the airline particularly by a stupid regulation re quiring the inclusive price of a packag tour to be fixed at not less than equi valent scheduled air fare to the airpor

disembarkation. In a highly competitive situation, however, prices were, fortunately, under continuous pressure and average margins per passenger fell sharply. Thus does competition benefit consumers.

Tour operators have sought to reduce the cost of accommodation by providing a guarantee to the hotel of 80 per cent occupancy; schemes also exist whereby operators guarantee to take beds for, say, five years against which the hotelier can raise a bank loan with which to build the hotel. Such commitments mean that occupancy rates become all important in tour operations, especially at the cheaper end of the market. Where tourist traffic has been expanding rapidly, occupancy rates have in general been high enough to cover overhead costs and agents commissions and still earn profits. At times when tourist growth has not fulfilled expectations, however, as in 1966-68, severe losses have been incurred.

Widely publicised failures have directed attention to the protection of the traveller. The British Tour Operators' Study Group—an association of the larger operators—has arranged an insurance or "bonding" service to protect tourists from financial loss as a result of failure by any of its members. The scheme has been extended by the Association of British Travel Agents and now covers almost all tour operators in the UK. Difficulties arise on the hotel side, particularly where the tour operator cannot control the speed and quality of hotel construction in tourist resorts abroad.

Changes in exchange rates cause difficulties for those in the travel business which have been intensified since June, 1972, with floatation of sterling. Apart from the depreciation of sterling, which may have affected demand for overseas holidays, exact pricing of tours has been impossible since the fluctuating daily rate creates innumerable administrative problems.

IV

The Role of the Banks

Banks have been traditionally associated with the business of tourism mainly through facilities to meet the financial needs of travellers. Expenditure on travel has for long periods been limited by exchange control regulations the severity of which has varied from time to time. A basic allowance for personal travel abroad introduced in the UK in November, 1945, but restrictions were removed in 1959. They were re-imposed in 1966, the basic allowance for travel in countries outside the sterling area then being set at £50 per person per year. The arrangements were eased at the beginning of 1970 and UK residents are now entitled to foreign exchange facilities up to an amount of £300 for each journey for their travel expenditure outside the scheduled territories irrespective of the purpose of the journey. If a higher figure is required the approval of the Bank of England must be sought.

Foreign exchange may be made available in the form of foreign currency notes and coin, travellers cheques, sterling travellers cheques marked as available throughout the world, letters of credit and by transfers to banks abroad. In addition, under the Eurocheque scheme holders of cheque guarantee cards are able to encash personal cheques at banks abroad for foreign currency to be used for genuine travel expenditure, within existing exchange control limits.

growth of travel

The sale of travellers cheques is an important part of banking operations. For example, the value of sales by the Midland Bank rose 2½ times between 1960 and 1972, and the number nearly as fast. This increase—also experienced by other banks—reflects the growth of both business and pleasure travel over the period and the relaxation of stringent exchange controls. However the dominant position of travellers cheques in the methods of payment by travellers overseas may be eroded by the growing use of credit cards and the Eurocheque system.

Some part of ordinary UK bank lending to persons will undoubtedly be used to finance travel abroad and with the greater availability and range of clearing bank finance, and the development of special travel credit schemes, the finance of tourism on credit is likely to expand substantially. Credit cards also provide a source of finance as travel agents increasingly participate in the schemes operated by the major clearing bank groups.

Many banks in the United States, Europe and Australia—including some branches of Australian banks in London—have been selling travel facilities, either through subsidiaries or over separate travel counters, for some time. More recently a movement towards closer involvement in the travel trade has become evident, and in the UK a consortium, comprising the Midland Bank, Trust Houses Forte and the Automobile Association, last year acquired Thos Cook & Son, which the Heath government denationalised.

Despite the effects of inflation and the depreciation of sterling, competition has ensured that the price charged for a package tour is little higher, if at all, than the comparable figure 10 years ago. Inevitably therefore, the finances of the industry have come under strain, and figures assembled by the Air Transport Licensing Board for 56 tour operating companiesshow a marked fall in profits in recent years despite strong growth of turnover. As may be seen from Table III, over the years to 1971 the number of companies recording losses increased, and the aggregate loss rose sharply.

TABLE III
Working Results of Tourist Companies in the UK

	Loss-making companies		All companies	Turnover
	No.	Loss	(56)	
1969	13	£1.2m.	Profit £1.1m.	£105.8m.
1970	17	£3.6m.	Loss £1.7m.	£139.2m.
1971	19	£9.6m.	Loss £8.7m.	£169.6m.

In view of this trend, which is thought to have continued in 1972, it is not surprising that the Association of British Travel Agents—whose members include both operators and retail agents—has pointed to the need to improve margins. In fact one imminent development—the suspension of control by the British Civil Aviation Authority over the minimum prices of inclusive tour holidays in Europe taken after October 15, 1973—could bring them under further pressure. However, the Authority has aid that "this decision should not be regarded as an invitation to travel organisers to engage in destructive pricing policies. In the Authority's judgement, the losses incurred in recent years by tour operators have already inspired the pursuit of sounder pricing policies and the Authority looks to the industry to act in the responsible manner of which it is capable". The suspension of the minimum price requirement has been made partly at the instigation of some major tour operators who wished to benefit from special low fares that they could offer during the winter months, and partly to help undertakings operating air transport services to compete more effectively with charter companies by developing interests in the package tour holiday business through the offer of

blocks of seats on normal scheduled services into Europe.

All British tour operators now have to be licensed by the Authority and participate in a bonding scheme to safeguard customers. Any organisation able to satisfy the requirements laid down—which mainly relate to financial standing—is given a licence to organise tours abroad. Accordingly established tour organisers are likely to face increased competition as large companies from outside tourism seek and obtain licences. Travel agents also are likely to lose business if new tour operators are able to use other outlets for marketing purposes. Already BOAC and British Caledonian have established their own travel organising divisions, and competition from scheduled airlines will be further intensified by a number of recent and prospective deveopments in the arrangements for fixing international air fares.

Recent experience suggests the need to strengthen the industry. One way is to bring in financial interests and expertise. Most of the major operators are now associated with other companies with substantial interests outside tourism, and some own hotels and airlines. Again, the trend towards vertical integration appears to be becoming more pronounced, since overall control of the airlines, the hotel, and the tour operation permits the most efficient planning of available resources. The earliest example of vertical integration in the travel business is that of Thos Cook & Son, which organises tours, operates a travel agency with over 100 outlets throughout the UK and has world-wide representation.

In a world of increased leisure an[d] related activities the possibilities fo[r] future development of all kinds of tra[-] vel services are great. But—again for[-] tunately for consumers and taxpayers— competition will remain fierce, so tha[t] the pressure for change in the structur[e] of the industry will remain strong. Th[e] "mass" tourist trade in particular i[s] likely to be increasingly dominated b[y] fewer and larger companies.

Sources and acknowledgements

The foregoing summarises a report i[n] the latest issue of the Midland Bank Re[-] view (Poultry, London. EC2P: 2BX) but the bank is responsible neither fo[r] the emphasis of my summary nor fo[r] my interspersed comments about com[-] petition and other points, based on [a] variety of sources.

US export controls

Washington.

THE UNITED STATES government has added 41 more agricultural products to the list of items under export controls. Here are of the chief points of the new policy:-

Henceforth these items will need validated export licences.

Orders received before June 13 will be executed 100 per cent.

Orders received after that date are embargoed until further notice.

The action was made necessary because customers were switching to these items after controls were placed on soybeans and cottonseed oils.

Secretary of Commerce Frederick B. Dent announced on July 5 that 41 categories of agricultural commodities including edible oils, animal fats, and livestock protein feed were subject to export controls, effective immediately. The action was taken under the aulhority of the Export Administration Act of 1969 and was approved by Secretary of Agriculture Earl L. Butz.

None of the commodities listed may be exported without a validated license from the Department of Commerce's Office of Export Control. Licenses will be granted on the following basis:

(1) Orders accepted on or before June 13, 1973, for export prior to October 1, 1973, will be licensed to the extent of 100 per cent of the unfilled balance of the order.

(2) Orders accepted after June 13, 1973, for export prior to October 1, will not be licensed until further notice. A method of licensing such orders will be announced subsequenty.

(3) Orders accepted for export on or after October 1, 1973, will not be licensed until further notice.

The licensing requirement is not applicable to single shipments of 250 dollars or less for certain of the commodities listed which are marked with a *below.

Shipments which prior to 10:30 a.m. July 5, 1973 were in the process of being loaded or in transit to a port of export persuant to actual export orders may be exported without a validated license if loaded on the exporting carrier on or before July 19, 1973.

The United States Bureau of Customs has notified all its offices of these requirements.

The action to control the export of these commodities has been necessitated by the controls previously imposed on the export of soybeans, soybean oilcake and meal, cottonseed and cottonseed oilcake and meal. Soybeans, cottonseed and oilcake and meal are used for high protein feed for livestock and the unsatisfied foreign demand for them has caused a substantial increase in demand for variou[s] other sources of high protein feed. Soy[-] beans and cottonseed are also a majo[r] source of edible food oils and the uns[a-] tisfied foreign demand has caused a sub[s-] tantial increase in demand for soybea[n] oil, cottonseed oil, the various substitut[es] for them and the raw materials for thos[e] substitutes. Because of this transferabil[i-] ty of demand, Secretary Butz has dete[r-] mined that the supply of the commoditi[es] on the attached list will not be adequa[te] to meet domestic requirements until soy[-] beans become available from the ne[w] crop. Whether controls will be necessa[ry] after that time will depend on the amou[nt] of the harvest, the level of export demar[nd] and the level of prices in the Unite[d] States.

Following is list of items under co[n-] trol.

Corn gluten feed

Linseed oil-cake and meal

Sunflower and safflower oil-cake a[nd] meal

Peanut (groundnut) meal

Peanut (groundnut) oil-cake

Meat meal and tankage

Fish meal

Feather meal

Poultry feeds, prepared*

Dairy cattle feeds, prepared*

Livestock feeds (except dairy catt[le]) including supplements, prepared*

Alfalfa meal, dehydrated*

Alfalfa meal, sun-cured*

Lard and other rendered pig fat, except grease*

Choice white grease*

Safflower seed

Sunflower seed

Peanuts (groundnuts), shelled, green

Peanuts (groundnuts), unshelled, green

Flaxseed (linseed)

Bone meal

Blood flour and blood meal

Tallow, edible

Tallow, inedible

Soybean oil, crude, including degummed*

Soybean oil, once-refined*

Soybean saled oil, refined and further processed by bleaching, deodorising, or winterising (except hydrogenated), not donated for relief or charity by individuals or private agencies*

Cottonseed oil, crude*

Cottonseed oil, once-refined*

Cottonseed saled oil, refined and further processed by bleaching, deodorising, or winterizing (except hydrogenated), not donated for relief or charity by individuals or private agencies*

Peanut (groundnut) oil, crude*

Peanut (groundnut) oil, except crude or hydrogenated*

Sunflower seed oil, crude*

Sunflower seed oil, once-refined, (after alkali or caustic wash, but before bleaching, deodorisation, or winterisation)*

Sunflower seed oil, including all mixed or blended soft salad oils, bleached, deodorised or winterised(except hydrogenat... not donated for relief or charity by ind...duals or private agencies*

Linseed oil, raw*

Linseed oil, boiled, oxidised, dehy...ted, sulphurised, blown, or polymerize...

Corn oil*

Safflower seed oil, fixed*

Soybean oil, hydrogenated

Cottonseed oil, hydrogenated

Cottonseed and soybean oil mixt... hydrogenated*

Corn oil, hydrogenated*

Fish oil, hydrogenated*

Maize oil, hydrogenated*

Peanut (groundnut) oil, hydrogena...

Soybean lecithin

Courtesy: **USIS, New D...**

The shrinking value of money

Vienna

E. B. Brook

ALL TOO fully has the remark in the opening paragraph of my last article —"There is no certainty that currencies may not fall farther in the international uncertainty over currencies and concurrent seeking of refuge in buyir gold"—been borne out and continues to be disastrously true. One needs no prophetic powers, only a grain of capability in observation, to perceive that international currencies, the money with rich and poor, are in the deepest crisis of this century, may be of all time.

Changing events

Events move so rapidly that comment written one week—almost one day —is mere history the next week, but there is a general trend that persists with the inevitability of a Greek tragedy—that the value of money, the value of savings, the yield of investments and insurances is steadily shrinking. This is no matter for the experts of the stock exchanges, for bankers or politicians; it is a serious circumstance that affects everyman, especially in the most highly industrialised countries where wealth tends more than elsewhere to take the form of money or money-based securities. Money is becoming the one thing that people avoid having except for daily and business necessities. Not only does the purchase or gold continue to build up; there is currently in west Europe a run of diamonds. In the first half of this year 48 per cent more jewellery and industrial diamonds have been bought than in the first six months of 1972 and 44 per cent more than in the last six months of last year. The value of diamonds bought in the first six months of this year have been worth 673,207,519 US dollars according to the market dealers in Antwerp.

Similarly, despite their rising prices, motor car sales have risen by some 30 per cent and the rise in the sale of lorries has been almost as high. On the other hand, Germans and even the canny Swiss have been drawing their money out of savings accounts at a rate that alarms the banks—West German savings banks have lost nearly a billion marks in clients' withdrawals in the last three months. Some of this may be explained by private requirements for holiday expenses (the Germans are heavy spenders over holiday requirements) but this factor can account for no more than 5 per cent of these massive withdrawals. West Germany, which raised the exchange value of its mark by 5½ per cent on June 29—the fifth upward revaluation of that currency since its establishment in 1948—may very well be obliged to raise it again by a sim... percentage. Austrlia, which dragged ... schilling up by 4.8 per cent in the w... of the mark because some 60 per ... of its purchases are made from ... Germany may have the painful prob... whether to raise the value of its ... rency again with the certain knowl... that the size and financial basis of ... economy cannot easily take the st... of trying to sell abroad with so exp...sive a currency and that its valu... reputation as a cheap tourist hol...land has vanished. Already its ... industry, one of the most important, ... been damaged by the expensive s...ling.

German worries

The impression may be given ... West Germans are a happy people ... a west Europe worried sick by the ... in the value of its money. This is ... so. Not only are the Germans' dom...tic worries and uncertainties incre... this week-end by the bankruptcy ... huge north German building com... it is feared that the financial st... of the entire building industry in ... Germany may be affected, a fact ... would be a severe blow to con... The danger with the Germans ...

having experienced two disastrous collapses of their former currencies in the lifetime of at least half the population, they are politically allergic to inflation which they are now experiencing sharply. To have a car serviced in West Germany today costs the equivalent of £60; a man with a salary of £460 a month and a house now worth £50,000 is finding it increasingly difficult to save, rates having risen in three years by 250 per cent, social insurance by over 50 per cent, car insurance by over 50 per cent and even the price of water by over 40 per cent. Many lower middle class German women from families earning up to £210 a month are having to go out to work to help earn enough money to meet daily expenses.

adamant refusal

It is clear to all Europeans-those in east Europe with their inconvertible currencies are also adversely affected in international trade by the sickness of the US dollar-that the American currency is ill, almost beyond recovery. The refusal to convert it with gold, the Watergate scandal, and the significant structural change in foreign exchange markets marked by an adamant refusal to buy dollars have produced a truly staggering fall in the international value of both the dollar and its faithful friend the £.Since the end of April 1971 the dollar has lost 35 per cent of its value and the British £ and the Italian lira almost as much.

Two effects are expected. The Americans, still with an overwhelmingy mighty economy and whose impoverished currency is still the standard of quotations and payments in most intrenational trading including the communist, are expected to make a devastating sales drive into west Europe with lowered prices and the great advantage of a cheap currency to help sales. All west Europe is nervous about this and France would be certain to lead a move to impose quotas and other protective techniques. The second effect is that west Europeans, even the British, and certainly the Common Market, would abandon the dollar as basic monetary unit and revert to the gold standard. President Pompidou has told the Common Market's Council of Ministers that France and all western Europe must immediately define a policy of defence against the pernicious disease of the monetary crisis. There are those who believe that the dollar will still make a come-back, perhaps late this year once those who think this way have the courage to act in accordance with their convictions and it is significant that, with a very cheap dollar, it is now profitable to invest in the United States that Volkswagen and many other leading European firms are contemplating building plants in America.

nervous Europeans

The nervous and increasingly opportunistic Europeans might do worse than consider the remarks of Mr Paul Volker, US Under-Secretary of the Treasury for monetary affairs, when addressing the joint economic committee of the US Congress on June 26. "In my judgment," he said, "the exchange rates established in February and March were broadly appropriate to adjustment needs. The further appreciation of most European currencies seems overdone and reversible. The basic economic point is that business men, trader and financiers need to become solidly convinced that the structure of rates is fully appropriate to present and forseeable economic circumstances and has not been artificially contrived. We must look to the performance of the market itself to help establish and reinforce such judgment."

The west European commentators vary between those who see a breakup of the world monetary order—these help enormously the run in withdrawal of savings—those who turn to the protection and growth of their own domestic economic policies and those who, more sensibly, urge governments to bring a greater element of stability to their currencies in particular and to the international system as a whole. This system should allow more flexibility for small and relatively frequent exchange rate changes but should be based on stable and announced exchange rates. "Floating" has for too long been a synonym for sinking and those whose currencies float fear that it may not be long before they sink to the bottom. More stability and more definition is now needed quickly to prevent an altogether unnecessary panic.

Meanwhile, the IMF still searches for a managing director to take the place of Pierre-Paul Schweitzer. It is a £20,000 a year tax-free job which has been turned down by a long list of those approached and the latest nominee rumoured is the Mayor of Bergen in Norway. More satisfactorily senior officials from GATT, due to agree on a report by July 25 for the foreign ministers' meeting in Tokyo in September, while favouring the most-favoured nation principle, want concesions for developing countries on a preferential basis and reduction of protective barriers. A glimmer in a murky world.

Booming Brazil

Hardev Singh

MR ROBERT McNamara, President of the World Bank, in his speech to the United Nations Conference on Trade and Development in Santiago (UNCTAD-III) mentioned Brazil as a country where development had been distorted in favour of the wealthy few and the lowest half of population received a limited share of the fruits of growth. It was estimated that between 1960 and 1970 the richest one per cent of the population in Brazil raised their per capita income by 112 per cent from $ 8,350 to $ 17,700. The poor half of the population raised their average per capita income by just 7.5 per cent from $ 253 a year to $ 272. In spite of this skewed pattern of development, the country did make substantial progress and has several achievements to its credit.

rapid growth

Brazil recorded a growth of 10.4 per cent in 1972 which is higher than that achieved by Japan, West Germany or the United states in that year.. Of the various factors that have helped to sustain this growth, perhaps the inflow of foreign capital is most important. Foreign investment has been estimated today between $ 600 million and $ one billion. In the field of automobiles alone Volkswagen, Ford and Toyota are all there to try their luck. Under the impact of foreign know-how and capital, the country has made rapid progress in the production of steel, automobiles, and many of the sophisticated items and industrialisation has particularly touched the southern central region.

Brazil is particularly fortunate in terms of mineral wealth. It has been estimated that the 20 per cent of the world's iron ore lies in Brazil and the estimates vary from 20,000 to 40,000 million tonnes. Exports of iron ore from Brazil earned around $ 240 million in 1971 and these exports are considered next in importance only to the exports of coffee. Manganese is another metal found in abundance. Nearly 900 million tonnes of manganese ore has been estimated in Minas Greais, Mato Grosso, Bahia, Rondonia and Amapa areas. It was only recently that the first pelletisation plant in the world began operating in Amapa. It was built by a manganese producer in the hope of recovering his $ 15 million investment in four years. The pellets are considered easler and cheaper to use and transport by steel manufacturers as compared to manganese ore. Petroleum is another important mineral and the country is meeting one-third of the domestic demand from indigenous sources. New oil-fields are being explored in Bahia, Sergipe and some off-shore areas.

traditionals dominate

Although exports from Brazil have a rising content of manufactured goods, coffee still holds the position of prime importance. The government cannot afford to ignore this commodity which still retains the leadership of the world producers. Brazil today does not face the problem of surplus coffee and is engaged in a programme to raise production from the present level of 22 million bags to 27 million bags annually. This programme is estimated to cost around $ 740 million over the next three years. Efforts will be made to develop disease resistant strains and to popularise the use of fertilizers and modern equipment in its cultivation.

Another direction in which Brazil's economy is expanding fast is the growth of shipping capacity. During 1971, for instance, Brazilian liners carried 4 cent of the country's cargo, and ea freight revenue of $ 340 million. I ober, 1970, an expansion programm announced by Brazil throught the i ment of around $ 1,000 million to b fleet that would be around five m d.w.t. by 1975. In 1971 alone launched ships with a capacity of 14 g.r.t. The country porposes to l supertankers and has already place ders of around one million g.r.t. to ve increased shipping capacity. has invited foreign expertise in a bi and brought in IHI of Japan and Schelde-Verolme of the Netherland form companies in collabortion with zilian enterpreneurs. These comp have established shipyards which are building large vessels in an effort to ve the target of five million d.w. 1975.

While it has been accepted by the zilian government that a large po tion in the northern region is prat beyond the monetised sector, it c that it is making considerable effor improve their lot. For instance government has begun a national lit compaign to teach 22 million peop read and write. The government also financed irrigation projects in north-east region to make life better the backward area. The Trans-Am Highway in the North is also likel have the same effect.

Eastern Economist 30 Years Ago

JULY 16, 1943

It has been said that modern war is primarily an engineering job. No doubt human and moral elements also count, but the country with the greatest "weight of metal" wins. By common consent, therefore, a country's potential military strength is measured by the size of its iron and steel industry and, in particular by the size of the engineering industry. Relatively to the size of the national income Germany possessed the largest engineering industry, including the machine tool industry, in the world. This gave her an enormous advantage in the matter of rapid adaptation of the peacetime economy to war needs. In peace time also a large engineering industry means the capacity to increase national income rapi

The experience of our industrial war effo shown up some of the grave deficiencies economic structure, and the most glaring of has been the woeful backwardness of our e ring industry. In peace time we were al rely dependent on the import of high equipment for any project of indu trial With the shortage of shipping space on war exigencies, the import of largely cut of and this formed proba ly th gest single bottleneck in the way of the full e sion of our industrial war effort.

TRADE WINDS

Curbs on Borrowing

THE RESERVE Bank withdrew recently the existing concessionary refinance entitlements at bank rate or below available to the scheduled commercial banks. The step has been taken in view of the increased importance of restraint on credit and the Reserve Bank is of the opinion that with the emerging resources position there should be no need for borrowing from it except in exceptional circumstances and for short periods. The total bank credit has expanded by Rs 189 crores during the current slack season up to June 29. The expansion has been almost wholly on account of financing public sector food procurement and is Rs 98 crore less than that during the 1972 slack season.

The Reserve Bank is satisfied that banks have generally complied with the increase, effective from June 1, in statutory cash reserve requirements from three to five per cent but some of the banks have borrowed considerably from the Reserve Bank during the last week of June. The indebtedness of banks has, however, been brought down from Rs 141 crores on June 29 to Rs 40 crores on July 29, to Rs 40 crores on July 6, and still lower this week. The Governor of the Reserve Bank, Mr S. Jagannathan, has however, stated in a letter to the commercial banks that the spurt in borrowing from the Reserve Bank in the last week of June was consistent with the spirit of the measures taken on May 30.

Mr Jagannathan feels that the overall economic and financial situation requires that strict restraints on banks should continue to be observed. He also wants the acceleration of return flow of the credit made available during the busy season of 1972-73 for meeting seasonal requirements of working capital. This, the Governor feels, should be possible, in particular, in respect of sugar and cotton textile industries which have shown a sizable expansion.

With the withdrawal of concessionary refinance entitlements of bank rates or below from July 13, the Reserve Bank will give only a limited amount of refinancing of export eredit, and refinancing of amounts lent by commercial banks to primary credit societies and farmers service societies, in respect of the rate of re-lending of which there are ceiling limits applicable.

In other words, the existing refinance entilements at the bank rate or below relating to short-term lending to (1) small-scale industries and short-term direct lending to agriculture, (2) food procurement advances and (3) export credit, except to the extent indicated above, will stand withdrawn.

Bharat Earth Movers

Besides achieving a record, production of over Rs 42 crores, the Bharat Earth Movers Ltd (BEML), a public sector undertaking under the charge of the ministry of Defence, recorded several firsts during 1972-73. On the production side, these included the manufacture of 50-ton rear dumpers and 20-ton mobile cranes. The rear dumpers—20 of them produced last year — have a carrying capacity of 30.8 cubic meters and are powered by 635 h.p. engine. The 20 units produced last year have been delivered to the National Mineral Development Corporation which has ordered another 30. The 20-ton mobile cranes can lift loads up to 40,000 pounds to a reach of eight feet and about 9,000 pounds to the maximum reach of 34 feet. They are powered by 318 h.p. engines.

The research and development division of the undertaking has designed and developed a 2.3 cubic metre track shovel with over 80 per cent indigenous content. Mounted on a crawler tractor (also manufactured by BEML), the track shovel is powered by a 180 h.p. diesel engine and its bucket can handle a payload of 4.6 tons. The equipment will find extensive use in the construction of dams, building of roads and handling of minerals. A power shift transmission of D50-15 tractor and a backhoe (trench digger) have also been developed by the research cell of the undertaking. Among the other projects under development are a prototype of wheeled front-end loader with a shovel of 4.5 cubic yard capacity powered by 300 h.p. engine. For collieries and coal-based thermal stations, work on the designing of a coal hauler is in progress. The research cell has as well engineered various equipments and established indigenous sources for sophisticated clutches, hydraulic cylinders, break assemblies for wheeled equipment and control valves.

Another important achievement of BEML research cell has been the designing of broad gauge diesel rail car sets. These sets have a total sitting capacity of 342 persons and consist of three chair cars, two power cars and one trailer in the middle. The cars can obtain a speed of 110 km. per hour. Each car will be fitted with two indigenously manufactured under-slung deisel engines each of 200 h.p. The cars are provided with air brakes. Two prototypes are expected to be produced this year for the Indian Railways.

The over Rs 42 crores production in 1972-73 was an improvement to the extent of 20 per cent over the previous year's output. In all, the earth movers factory of the undertaking produced 479 pieces in 1972-73. The second unit, namely, rail coach factory, turned out 270 coaches. The earth movers factory is being expanded to produce 850 pieces of equipment by 1976. By the end of the fifth five-year Plan, its capacity is likely to be increased to 1,250 pieces. The capacity of the rail coach factory is being expanded to 400 coaches a year. This programme is expected to be completed by 1975-76. The whole expansion programme of the undertaking upto 1976 is estimated to cost Rs 23 crores. Of this, about Rs 17 crores have already been spent. The equipments being produced by BEML at present include three different varieties of bulldozers with horse-power ranging from 90 to 250, 25-ton capacity scrapers, 1.5 cubic metre capacity shovels, 115 h.p. motor graders and three different sizes of off-the-highway rear dumpers, the largest of which is 50-ton capacity.

The undertaking has also entered the export market, though on a modest scale as yet. Twenty pieces of equipment, worth over Rs 62 lakhs, have been exported to Nepal, Sikkim and Bhutan. Efforts are being made to export products to the neighbouring countries in east and west Asia.

This undertaking which was established as a sequel to the transfer of the rail coach factory of Hindustan Aeronautics Ltd. in 1967, it has been making profit right from the beginning. In 1971-72, its net profit amounted to Rs 2.84 crores. The undertaking paid a dividend of five per cent during this year.

Vanaspati Prices

Vanaspati prices have been increased by 75 paise per kg. in all the zones with effect from July 16. This had been done in view of further increase in the prices of indigenous oils used in the manufacture of

vanaspati. The maximum retail prices of vanaspati in different pack-sizes, and when other local taxes, will be as given in the table below.

Heavy Industry Projects

The minister for Heavy Industries, Mr T.A. Pai last recently told the Consultative Committee of Parliament attached to his ministry that a target of production worth Rs. 24 crores had been set for the current financial year for the 4 public sector units under his charge. The production of these units in 1972-73 aggregated to about Rs 278 crores. Value-wise, the increase in production in terms of the above target this year would be about 50 per cent. In terms of tonnage, it might range between 40 to 45 per cent.

Concerted efforts, Mr Pai said, were being made to tackle the problems being confronted by these public sector projects. They include: (1) booking of orders on a long-term basis; (2) ensuring of raw materials, particularly steel, to meet the full requirements of these undertakings; (3) improving of industrial relations; and (4) meeting of their power requirements. With a view to overmoming the power difficulties of the public sector units, Mr Pai disclosed, installation of captive power units would be considered provided the investment on such power plants could yield adequate return or was critically essential otherwise.

The question of standardisation of designs, the minister said was also being looked into. In this connection he revealed that it was proposed to go in for 1,000 1,200 tonnes per day capacity plants in the cement industry instead of 600 650 tonnes daily capacity units at present being produced in the country. Studies would also be initiated for undertaking the manufacture of 2,000 tonnes per day capacity cement-making plants.

Mr Pai further disclosed that an investment of Rs 582 crores was envisaged to be made in the heavy industry projects in the public sector during the fifth Plan period. Out of this, a sum of Rs 89 crores was being earmarked for completing the schemes spilling over the current Plan period. The remaining Rs 493 crores investment would be on new schemes.

Commercial Vehicles

Referring to the production of commercial vehicles, the minister said that it had been agreed in principle to convert the Jabalpur heavy vehicles factory, which at present manufactures Shaktiman trucks, into a separate public sector corporation. In addition to the vehicles required by the defence forces, the factory would be asked to produce commercial vehicles (7.5 to 10 tonnes) to a capacity of 30,000 units per annum.

Scooters, Watches Tractors

A very significant revelation made by Mr Pai concerning production of scooters was that Scooters (India) Ltd., which is expected to commence production in the later half of 1974, would be willing to give a sub-lease to other parties in the country, particularly the State Industrial Development Corporations to manufacture the same scooters. This idea has already been welcomed by the SIDCs. No private entrepreneur has shown any interest as yet for entering in this sort of arrangement with Scooters (India) Ltd., but if a request is received, it would be considered favourably. The sub-lease would envisage the manufacture of engines by Scooters (India) Ltd. The engines would be made available to SIDCs which would manufacture the remaining equipment and assemble scooters. Scooters (India) Ltd., would itself be producing complete machines to the extent of one lakh units per year. The production of the items to be provided to SIDCs and other parties would be additional. The plan is to produce in all about four lakh engines per annum.

Similar arrangements, Mr Pai said, were proposed to be made for the manufacture of watches and tractors.

The new management pattern of Hindustan Machine Tools, Mr Pai revealed, was likely to be announced in the near future. This had been necessitated by the ambitious expansion and diversification programmes of this public sector undertaking.

The production of watches by HMT and State Industrial Development Corporations in collaboration with HMT was expected to be raised by 1978-79 to 8,60,000 numbers.

Wagon Authority

Mr Pai further told the Consultative Committee that the proposed wagon authority was likely to be registered under the Companies Act on August 15. This authority, to be known as Wagons (India) Ltd., would be a servicing organisation which would co-ordinate production at the various wagon manufacturing units both in the private sector as well as those which have been or are likely to be taken over by the government, secure orders for them from the Indian Railways as well as from abroad, and also rationalise wagon prices. All the wagon manufacturing units were being invited to participate in the equity capital of this venture as constituent units. Ultimately, exports of wagons might be canalised through this organisation. Currently, they are being handled by the Projects and Equipment Corporation, a subsidiary of the State Trading Corporation.

Power Generation Equipment

Mr Pai expressed the view that if the orders for the manufacture of power generation equipment were placed on the two public sector units, namely Bharat Heavy Electricals Ltd. (BHEL) and Heavy Electricals (India) Ltd. (HEIL), expeditiously, the entire requirements of the fifth Plan power development programme could be met from indigenous sources. (The basis for this assessment of Mr Pai, it is learnt, is that the fifth Plan power generation target was likely to be scaled down to about 35 million KW; this is the figure that is said to have taken into consideration by Mr Pai while estimating the indigenous availability of power generation equipment). Some small and odd-sized units, however, Mr Pai said, might have to be imported. He disclosed that these imports were proposed to be canalised through BHEL.

Another important announcement made by Mr Pai in connection with the power development programme of the fifth Plan was that a new organisation would be set up to

Vanaspati Prices as from July 16, 1973

Zone	16.5 kg tins	4 kg tins	2 kg tins	1 kg containers	Loose per kg
North	127.49	32.98	17.00	8.86	7.71
Kashmir, Himachal, and hilly areas of UP	129.98	33.59	17.30	9.01	7.86
South	124.77	32.32	16.67	8.69	7.54
East	127.88	33.08	17.04	8.88	7.73
(North-Eastern region)	129.73	33.53	17.27	8.99	7.84
West	126.31	32.70	16.85	8.79	7.64

undertake the construction of power stations on a turn-key basis. Both BHEL and Hindustan Steel Construction Corporation were expected to participate in this organisation.

Quality Control

Mr Pai further stated that a cell was proposed to be set up in his ministry which would investigate complaints regarding the quality of engineering products both in the public and private sector units. The facilities envisaged to be provided to the public sector units for maximising their production, he added, were also envisaged to be extended to the private sector units so that the tempo of industrialisation in the country could be stepped up.

The capital costs of new units in the large scale sector, Mr Pai said, were envisaged to be brought down to encouraging the establishment of ancillary industries.

Unemployed Engineers

Mr Pai felt that his ministry could become the focal point for providing jobs to the educated unemployed. During the current year, as many as 309 graduate-engineers and 142 diploma-holders were proposed to be provided jobs by the ministry of Heavy Industries In about three years time, it was planned to absorb about 5,000 educated unemployed persons.

Second Floatation of Loans

The government of India has announced the issue of the following three loans aggregating Rs 325 crores: (1) $4\frac{3}{4}$ per cent Loan 1981 to be issued at Rs 99.75 per cent and repayable at par on July 21, 1981: (ii) $5\frac{1}{4}$ per cent Loan 1987 to be issued at Rs 100 per cent and repayable at par on July 21, 1987; and (iii) $5\frac{3}{4}$ per cent Loan 2003 (Second Issue) to be issued at Rs 100 per cent and repayable at par on May 12,2003. Subscriptions to the above loans will be received in the form of cash|cheque or securities of $4\frac{1}{4}$ per cent Loan 1973. Subscriptions will be open from July 21 to 23 (both days inclusive) but may be closed earlier without notice as soon as the total subscription amounts to Rs 325 crores. Government reserve the right to retain subscriptions up to ten per cent in excess of the notified amount. If the total subscriptions exceed the notified figure plus the amount of ten per cent, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest at the rate of $4\frac{1}{4}$ per cent per annum on the securities of $4\frac{1}{4}$ per cent Loan 1973 tendered for conversion will be paid up to and inclusive of July 21, 1973, at the time of issue of new securities. Interest on $4\frac{3}{4}$ per cent Loan 1981 and $5\frac{1}{4}$ per cent Loan 1987 will be paid half yearly on January 21 and July 21.

In the case of $5\frac{3}{4}$ per cent Loan 2003 (Second Issue) the interest for the period July 21, 1973 to November 11, 1973, inclusive) will be paid on November 12 this year and thereafter half-yearly on May 12 and November 12. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5. of the Wealth Tax Act will also be exempt from Wealth Tax up to Rs 1,50,000.

Applications for the loans will be received at offices of the Reserve Bank of India, branches of the State Bank of India and branches of the subsidiary banks of the State Bank of India conducting Government treasury work except at Hyderabad. The outstanding balance of the $4\frac{1}{4}$ per cent Loan 1973 is repayable at par on July 22 and no interest will accrue from that day. As July 22 falls on Sunday, the discharge value of the securities will be paid on the preceding working day, with the interest due up to and inclusive of July 21.

To facilitate repayment on the due date, holders who do not desire to convert their securities into any of the new loans may tender them at the office or bank where they are enfaced|registered for payment of interest on or after July 13.

The budget estimates 1973-74 assume a gross credit of Rs 880 crores from market borrowings by the central government or Rs 326.41 crores net after providing for two loans with an outstanding balance of Rs 553.59 crores due for discharge during 1973-74 as shown in table below:

The first floatation was made on May 12, 1973 when the following three loans were floated: (i) $4\frac{3}{4}$ per cent Loan 1980 at par maturing on May 12, 1980 (ii) 5 per cent Loan 1984 (Second Issue) issued at Rs 99.50 per cent to be paid on June 1, 1984; and (iii) $5\frac{3}{4}$ per cent Loan 2003 at par to be repaid on May 12, 2003. Total subscriptions to the above three loans amounted to Rs 550.59 crores—Rs 169.99 crores in cash and Rs 380.60 crores by conversion. Allowing for the repayment of the maturing loan (4 per cent Loan 1973) net realisations from the first floatation amounted to Rs 156.08 crores. The loans now being floated are expected to yield Rs 357.50 crores (Rs 325 crores plus 10 per cent retainable). Allowing for the maturing loan ($4\frac{1}{4}$ per cent Loan 1973) net receipts from the second floatation are expected to amount to Rs 198.42 cr[...] Taking the two floatation[s to]gether, net realisations [are] expected to amount to [Rs] 354,50 crores showing an [im]provement of Rs 28.09 cr[ores] over the budget estimates.

(Rupees in crore[s])

Loan	Date of Maturity	Outstandin[g] balance
4 per cent Loan 1973	12-5-1973	394.51
$4\frac{1}{2}$ per cent Loan 1973	22-7-1973	159.08
	Total:	553.59

Railways Team for Iraq

A 17-man Indian Railw[ays] team arrived in Baghdad [re]cently, for carrying out [an] economic study for a [new] Railway line from Bagh[dad] to Hsaibah on the Iraq-Sy[rian] border. The project also p[ro]vides for a connection [to] Aqasha which is a centre [of] phosphate mining in Iraq. T[he] total length of the Railw[ay] project will be about 5[...] kms. The economic study [will] be carried out by a field te[am] staying in Iraq for about f[...] months, and a high-level [su]pervisory team which will [vi]sit Iraq periodically to gu[ide] and supervise the work of [the] field team. The Members [of] the high-level team are [...] M. Menzes, Director, Pl[an]ning, Railway Board (Lead[er]) Mr P.N. Bhaskaran Nair, D[ir]ector (Research) in the R[e]search, Designs and Standa[rds] Organisation, Lucknow; [Mr] Kapur Chand, Joint Direct[or] Finance (Stores), Railw[ay] Board; Mr S.C. Misra, Dep[uty] Economic Advisor, Railw[ay] Board; and Mr S.S. Ra[...] Deputy Chief Commerc[ial] Superintendent, Central Ra[il]way. A feasibility-cum-c[...] study for the Baghdad-Hs[ai]bah portion of the proje[ct] covering 404 kms., was c[ar]ried out earlier by an Indi[an] Railways team in 1970. T[he] present study has been und[er]taken in pursuance of the a[g]reement signed between [the] Iraqi Republic Railways a[nd] an Indian Railway team [...]

...I. Menzes in May this

...'s New Branches

...e Industrial Finance ...oration of India is open- ...new offices in Chandi- ... and Bhopal. Chandigarh ...e started functioning from ... 9, and the Bhopal office ...eek later on July 16. ...I also plans to open its ...es in Cochin, Jaipur, ...na and Nagpur. The new ...es are in persuance of ...I's policy to promote in- ...rial development of less ...eloped states. During the ... two years the corpora- ... opened offices in Gauhati, ...baneswar, Kanpur and ...na. The Chandigarh office ... serve the interests of ...I clients in Punjab, Hary- ..., Himachal Pradesh and ...ndigarh, while Bhopal ...ce will cater for the needs ... Madhya Pradesh. The new ...ices will maintain liaison ...h the respective state gov- ...ments, central government ...encies, banks, institutions ...d associations/organisations ...presenting industrial and ...siness interests. The offices ...ll further serve as channels ... information about the ac- ...ities of the Corporation and ...e facilities available from

...DA Loans

...A credit of $7.5 million ...om the International Deve- ...pment Association (IDA), ...n affiliate of the World Bank, ...ill assist Bangladesh in estab- ...shing a modern seeds indus- ...y, initially capable of pro- ...ucing about 12,000 tons of ...igh-yielding rice and wheat ...eeds a year. The IDA is pro- ...iding $4.0 million to help ...Bangladesh in carrying out ...igh-priority studies and other ...rojects of technical assis- ...ance designed to assist the ...ountry in the planning and ...mplementation of its pro- ...rammes of economic deve- ...opment and rehabilitation. ...And the credit, approved is ...for $25.0 million for a $40.4 ...million equivalent highways ...project in Bangladesh.

...Burma will be able to re- ...habilitate and modernize the country's railway and inland water transport systems with the assistance of two credits totalling $33.0 million from the IDA. The inland water transport and the railways are the dominant modes of transport in Burma. The systems serves the key economic centers of the country and complement each other. The IDA credits will assist the rehabilitation of these important transport services so necessary to the future development of the Burmese economy.

The IDA lending operation for the expansion and improvement of the port of Karachi has been approved with a $18.0 million credit. The project will cost approximately $34.2 million equivalent and is designed to alleviate delays caused by the shortage of berths, thereby avoiding rapidly rising costs of congestion which could be detrimental to Pakistan's foreign trade.

International Machine Tools Show

The Fairgrounds in Hanover, from September 18 to 27, will be the meeting-place for machine tool manufacturers from all over the world. Preparations for the International Machine Tool Exhibition Hanover 1973, are fully under way, state the organizers, the Verein Deutscher Werkzeugmaschinenfabriken (Association of German Machine Tool Works). In anticipation of a record attendance at this largest international exhibition for machine tools, the Fair authority in Hanover have recently constructed two new exhibition halls. As a result, more than 100,000 sq.m. of stand-space in 14 halls will be available for approximately 10,000 machines on display. Following the great success of the first International Machine Tool Exhibition in Hanover (the IHA 70 with its 1,300 exhibitors), this year's exhibition will exceed the proportions of the IHA 70 by 20 per cent. As many as 1,544 exhibitors—742 from abroad have confirmed their participation, out of which 15 are from India. The IHA 73 therefore will be more international in character than any previous machine tool exhibition, either in Europe or overseas.

Indigenous Banking

Mr Viren J. Shah, President of the Indian Merchants' Chamber recently urged the government to take early steps to encourage and recognise the indigenous system of banking through proper legislation and codification. Inaugurating the annual general meeting of the Bombay Shroffs Association, Mr Shah said that if the minister of Finance, and its Central Board of Direct Taxes are slow in arriving at the measures sought by the private bankers, the Association should consider alternative ways and means. They should approach members of Parliament and law making bodies in the country with their proposals, create public opinion and expedite the kind of legislation necessary to ensure the survival and continued services of the indigenous bankers.

ADB Loans

The Asian Development Bank recently announced a loan of $16.3 million to the Republic of Korea for the expansion and development of port facilities in Incheon. The port of Incheon on the west coast of the Republic of Korea is the second largest international port in the country.

It approved two loans totalling $9.6 million to the Republic of the Philippines to cover the foreign exchange costs of the Angat-Magat Integrated Agricultural Development Project.

Another loan of $ 3.6 million to the Republic of the Philippines is for the rehabilitation and improvement of Tarlac-Santa Rosa and connected feeder roads.

Names in News

Mr R.A. Gulmohamed has been re-appointed Chairman and Managing Director of Dena Bank. His new term end... in July next year.

Mr D.R. Chavan, minister of state in the ministry of Law, Justice and Company Affairs, died of heart attack on July 8, 1973. Mr Chavan, M.A., LL.M., was born in Karad, District Satara in Maharashtra on August 2... 1916. He was educated at Rajaram College, Kolhapur and Sykes Law College, Kolhapur, Bombay University. He joined the Council of Ministers at the Centre as Deputy Minister of Defence in 1962. He was Deputy Minister of Food during 1964-66; Deputy Minister of Rehabilitation (1966-67); Deputy Minister of Law (1967-68); Deputy Minister of Rehabilitation (1968-69); Minister o... State for Petroleum and Chemicals (February 1969 to May 2, 1971); Minister o... Supply (May 3, 1971 to February 5, 1973), and Ministe... of State for Law, Justice and Company Affairs from February 6, 1973.

COMPANY AFFAIRS

Jay Shree Tea

JAY SHREE Tea and industries Ltd. has reported all-round improvement in its working results during the year ended March 31, 1973. During the year the company has earned a record gross profit of Rs 179.31 lakhs on a net turnover of Rs 11.76 crores as against Rs 121.14 lakhs on a net turnover of Rs 12.43 crores in the preceeding 15 month period ended March 31, 1972. In keeping with the higher earnings the company has declared an equity dividend of 14 per cent as against 11 per cent plus three per cent bonus dividend for the extended period of three months in 1971-72. The directors have decided to issue bonus shares in the ratio of one bonus share for every three existing equity shares. This matter is awaiting the consent of the Controller of Capital Issues. The working results for 1972-73 are, indeed very satisfactory especially looking to the adverse factors that the tea and other industries had to face. The Sholayer group of tea estates had to operate under very servere power restrictions, the maximum being as high as 75 per cent. The company installed its own power generating sets to partly meet this shortfall. There was an industry-wise illegal strike in this area for almost a month during the peak production period of May—June 1972. These units, therefore, had a setback in respect of crop and quality. For the company as a whole the total tea production was 10.22 m. kgs, which was marginally higher than the production in the corresponding period of last year. The company is progressively going for more areas of closer spaced plantations. The results so far obtained are encouraging. The benefits following from perennial plucking, pioneered by the company, was reaped in full measure during the year.

Almost all the units of the company are working efficiently and the progressive production and quality techniques being adopted by the management should enable these units to forge further ahead in the coming years. It is significant to note here that the substantial contribution to the record profit for the three year have come from the plywood and chemical units. The plywood factories at Mariani and Adamans produced better results in terms of quality and quantity despite the increased cost and shortage of basic raw materials such as timber and glue. The chemicals and fertilizer unit at Khardah achieved higher production both for superphosphate and sulphuric acid and consequently improved its profitability. The company has applied for permission to enhance the installed capacity for both the products.

Out of the gross profit the directors have appropriated Rs 36.92 lakhs to depreciation reserve, Rs 80.00 lakhs to taxation reserve, Rs 3.00 lakhs to development rebate reserve, Rs 3.90 lakhs to development allowance reserve during 1972-73 as against Rs 51.70 lakhs. Rs 20.00 lakhs, Rs 4.52 lakhs and 4.10 lakhs provided respectively in the previous year. No provision has been made for gratuity as against Rs 32.50 lakhs allocated in the previous year. The net profit for 1972-73 after these allocations worked out to Rs 55.49 lakhs as compared to Rs 8.32 lakhs in the earlier year. Out of this, a sum of Rs 50.46 lakhs was transferred to general reserve as against Rs 3.28 lakhs in 1971-72. The preference dividend will absorb Rs 5.04 lakhs as against Rs 6.30 lakhs a year ago while equity dividend will claim Rs 22.96 lakhs, the same in 1971-72, and it will be paid out of the general reserve.

Unit Trust

The Unit Trust of India has raised the dividend to 8.50 per cent for the year ended June 30, 1973 as against 8.25 per cent declared for 1971-72. Thus for the fifth year in succession the dividend has been stepped up. The increase in dividend distribution follows a substantial improvement in the performance of the Trust during the year. During 1972-73 the Trust sold units worth Rs 23.03 crores under 82,168 applications as against Rs 15.08 crores under 61,357 applications in the previous year. The three-pronged drive announced last year, namely, higher dividend, lower special offer price and reduction in the margin between the sale and repurchase price, obviously has enhanced the popularity of units and decisively reversed the declining trend observed in 1970-71 and 1971-72. The Unit Trust is therefore setting up its sights high and it can be confidentially said that it will be exceeding the target of Rs 28 crores fixed for sales for the current year by a fair margin.

The Unit Trust of India has become increasingly equity-oriented. The share of equities in overall investment has gone up from 43 per cent in 1971-72 to 48.4 per cent in 1972-73 while the share of preference shares has gone down to 12 per cent from 14 per cent and that of debentures from 42.6 per cent to 39.3 pe cent. The investment in go vernment securities and corpo ration bonds has declined fron 0.25 per cent to 0.15 per cent

The re-investment plan o the Trust made further pro gress during the year. Th total amount reinvested unde the Plan stood at Rs 89.9 lakhs by 21,332 unit holders i 1972-73 as against Rs 69.3 lakhs by 17,972 unit holders i the preceding year. Sales o units under the Children's Gif Plan was of the order of R 67.01 lakhs under 2,332 appli cations as against Rs 50.5 lakhs under 1,817 application in the previous year.

The repurchase of unit during the year amounted t Rs 2.97 crores under 11,36 applications as against Rs 2.6 crores under 10,049 applica cations in 1971-72.

The Trust's aggregate in come too was higher at R 11.82 crores as against Rs 9.6 crores in 1971-72. As on Jun 30, 1973 units sold and out standing amounted to R 124.79 crores, the number o unit accounts registered wit the Trust being over five lakhs

Larsen and Toubro

Larsen & Toubro Ltd ha reported further impressive im provements in its workin results for the year ende March 31, 1973, with sales an profit, in particular, recordin significant gains over 1971-72 The company which has re cently rewarded its sharehol ders with a eight for twenty five bonus issue has also step ped up the dividend from 14 pe cent to 15 per cent. Abou 23 per cent of the dividend i expected to be tax-free. Turn over during the year touched th record figure of Rs 38.69 crores registering a steep rise of R 7.82 crores or about 25.3 pe cent over 1971-72. Gross pro fit too went up appreciabl from Rs 3.31 crores to Rs 4.8 crores or an increase as muc as 47.8 per cent over the pre ceding year. The directors hav enhanced the appropriations t all the reserves. The allocatio to depreciation reserve wa

oped up from Rs 58.00 hs to Rs 84.03 lakhs, to elopment rebate reserve m Rs 11.50 lakhs to Rs 80 lakhs and taxation erve from Rs 102 lakhs to 161 lakhs. Further a sum Rs 47.95 lakhs was ear-rked for gratuity as against provision in 1971-72. The profit after these alloca-ns amounted to Rs 178.44 hs which was higher than previous year by Rs. 19.17 hs. The preference divi-nd will claim Rs 10.07 lakhs against Rs 5.53 lakhs in the lier year while equity divi-nd will absorb Rs 67.7 khs, Rs. 8.10 lakhs more an in 1971-72.

harat Electronics

Bharat Electronics Limited, a ate-owned undertaking, earn- a handsome net profit of 3.26 crores after providing r depreciation and taxation against Rs 2.56 crores in 71-72. The company aintained the dividend at per cent. Production in 72-73 amounted to Rs 39 ores made up of Rs 28 crores orth of equipments and Rs crores worth of components, n increase of 19 per cent over e previous year. Nearly one-ourth of the total value of roduction of equipments and omponents was based on EL design and 16 per cent as based on major modifica-ons carried out to the censed products. Further it s interesting to note that nly one-third of the value f production was subject to ayment of royalties. Sales ouched Rs 40 crores, an in-rease of 18 per cent over the revious year while exports rose o over Rs 1 crore as compared o only Rs 6 lakhs in 1971-72. Besides earning foreign ex-hange of about Rs 1 crore in xports, the company had also aved foreign exchange through adoption of import substitu-ion measures amounting to Rs 34 crores on completed production during the year under report. The foreign exchange content in the value of items produced in BEL has been brought down to 24 per cent in the year under review compared with 35 per cent in 1968-69. This is, in spite of, many new items un-dertaken during the year. And what is more, this progress was achieved with only a marginal increase in the manpower.

Various activities were laun-ched by the company in 1972-73. BEL had supplied TV Transmitters and TV Studio Equipment required for the proposed TV Stations at Mad-ras, Calcutta, Kanpur and Lucknow. It had also deliver-ed Frigate Radars which are are fitted into the Lean-der Class Frigates manufac-tured by Mazagaon Dock Ltd., Bombay. BEL continued to forge ahead with its develop-ment schemes. A number of projects aimed at modernising communication equipment both for defence and civilian users have been initiated. More types of components for use in the entertainment field, the professional field and export are also in hand or are in the process of completion. Deve-lopment work on peripheral equipment for Computers such as the paper tape reader and the paper tape punch was completed and construction of prototype has been under-taken. Cross Bar and switch-ing units required for TV Sta-tions were also undertaken and completed. Development pro-jects to meet the requirements of All India Radio like FM transmitters, mobile broadcast etc., have been launched. On the components side, develop-ment activities were continued in the field of Electron tubes, semiconductors, and passive components. Five types of receiving valves, two types of cathode ray tubes, two types of transmitting tubes, three types of microwave tubes were suc-cessfully developed. Develop-ment work on three types of Germanium semi-conductors and five typres of Silicon semi-conductors and 15 types of hyyrid microcircuits were com-pleted. A project for the de-velopment of digital integrated circuits in collaboration with the Tata Institute of Funda-mental Research is under pro-gress. and the first device in the series viz., TTL-7420 was successfully completed. The development activity of Crys-tal Filters has gained momen-tum and during the year 11 types of Crystal Filters were developed. An agreement has been reached with the Raman Research Institute, Bangalore, for the development of liquid crystal displays. In addition, as a result of investigation and initiative taken by the com-pany, over a dozen Research Institutions and manufacturers have been induced to take inte-rest and have come forward to undertake development and supply of over 25 items which are at present imported.

BEL's second unit which is fast taking shape at Ghaziabad in UP is expected to go into production by end of this year. The cement shortage has de-layed construction but several buildings are now ready for occupation and machinery is being installed. The company had bagged a tender against global competition for a turn-key projects. Under this pro-ject, BEL would establish a microwave communication sys-tem for Indian Oil Corporation linking Barauni with Kanpur and Haldia. All the equipment will be supplied by BEL and other firms in India while the additional tasks of systems En-gineering and Installation will be carried out by the Ghaziabad Unit of BEL.

Unidata

Philips of Holland, Sie-mens of Germany and CII of France signed on July 4 an agreement covering computer. This agreement is a momen-tous step towards a European data-processing industry and it is calculated to ensure a much larger customer base to facilitate expansion of product ranges and service networks covering the computer field on a global scale. The new group called Unidata, now represents one of the largest computer groups outside the USA. Its world-wide customer base of more than 20,000 installations ranges from office computers to large-scale computer sys-tems giving a total value of more than 2,000 million US dollars. Resources include 35,000 staff, 14 development and manufacturing centres in six countries, and sales and service organisations in more than 30 countries. It serves commerce, industry, public administration and science. The three partners will estab-lish equally-owned Unidata Management Companies in Paris — France, Apeldoorn — The Netherlands, and Munich — West Germany, to co-ordi-nate and control all the acti-vities incorporated within Uni-data, while the registered office will be in Amsterdam, the Netherlands. Commercial acti-vities will be progressively se up and intensified to carry out the agreed marketing policies with due consideration to indi-vidual market circumstances o the countries concerned. The aim is to offer a common, fully compatible and new range o products. However, continuity of the present ranges and associated equipment and ser-vices will be maintained. This unique combination in market-ing, manufacturing, research and development, education and customer service, bring together complementary capa-bilities, a wide range of appli-cations and the world-wide ex-perience of the parent com-panies in the field of computer

Warner Hindustan

Net sales of Warner-Hindus-tan Ltd recorded a further in-crease to Rs 6.88 crores durin 1972, registering a handsom increase of Rs 0.92 cror over the preceding yea There was a significa increase in the sales of i pharmaceutical and chemic products but the demand f chiclets remained at the lev of 1971. Although the gro profit for 1972 increased by per cent compared to that the previous year, the net pr fit came down on account the higher tax provisos th had to be made since the co pany is no longer eligible f the same tax benefits wh were applicable in the previo years. To fulfil the expect tions of the members and bring the issued, subs and paid-up capital in line w the actual capital employ the Board of Directors h proposed a bonus issue of equity share for every two

ubject to the approval of the Controller of Capital Issues and lso the Reserve Bank of India n regard to the allotment and ssue of these bonus share to s non-resident members. However, subsequent to the oard meeting, the central overnment has issued certain evised guidelines for the issue f bonus shares. The practical mplications of these guidelines are being carefully examined and discussions will be held with the central government at appropriate time to btain its sanction for the issue of these bonus shares. The company has already paid an interim dividend at the rate of 12 per cent for the year 1972. It is now proposed to declare a final dividend of six per cent, thus making a total of 18 per cent compared to nine per cent declared for the previous year. The efforts of the company to step up its exports continue, unabated. In 1972, its exports recorded a further increase which went up to Rs 9.62 lakhs as compared to Rs 7.15 lakhs in the previous year. It is heartening to note that the company has since received fairly good initial orders from Czechoslovakia and Nigeria for supply of chiclets and chewing gum bases.

The company is now putting up a new, expanded research and development and quality assurance centre at its Hyderabad factory. The total estimated cost of this centre is about Rs 25 lakhs. The centre will be equipped with some of the most modern and sophisticated equipment and instruments and will be manned by highly qualified scientists and technical personnel. It is expected to be completed by the end of 1973 and it will make greater contributions to its developmental activities and further improve its quality control techniques.

The past one year has seen one of the worst droughts, severe power cuts and record inflation in the country. The general economic situation has been depressed and the demand for the company's verious products is affected temporarily. The power shortage in Andhra Pradesh has also affected the company's production, especially of its chemicals, which require uninterrupted power supply. All these fectors have resulted in its sales for the first five months in 1973 being marginally lower than those for the corresponding period of 1972. The unfortunate strike resorted to by workmen further affected its production. The management is doing everything possible to counter these problems. An import licence has been received for a continuous type generator which should be functional by the end of 1973. Moreover the management has taken various steps to improve the company's sales turnover and to achieve whatever operational economies that are possible. It is, however, feared that the increasing costs of raw materials, rising administrative costs, and additional tax burdens, are likely to have a constant pressure on the company's profits. Added to these is the reported move of the central government to further bring down the prices of pharmaceuticals and their profit margins which are already being eroded by inflation and rising costs. It is difficult in these circumstances to forecast what the 1973 results will finally be, although the company's aim still continues to be to achieve a reasonable growth both in sales and profits.

News and Notes

(Expansion and Diversification)

SLM-Maneklal Indnstries has developed a new vacuum pump type LRV 5000 capacity 3000 CFM indigenously without any foreign collaboration and have also developed vertical industrial vacuum cleaning machine of a newer type than what were manufactured so far, its suction capacity is 130 CFM Vertical container filters. The company has also developed three-stage air compressors capacity 2000 CFM for higher pressure and is marketing the same successfully. The letter of intent from the defence department has been received for the manufacture of a special Blower capacity 2300 CFM for their requirements. Efforts are on to give them six prototypes of the machines. On final acceptance of six prototypes as and when manufactured by the company, an order for 200 numbers will be finalised. The agreement entered into with Messrs Toshiba Machine Company, Tokyo, Japan, for technical collaboration for manufacture of Plastic Injection Moulding Machines (Capacity: Injection Shot Volume 39 oz.; Clamping Force 315 Tons) has been approved by the government. Steps are being taken to implement the project in two stages. First stage will be for the capacities mentioned above and second stage will be taken up as and when the demand is generated for higher capacity machines. The company is expecting the technical drawings in near future and production will start on or before the end of this year. Implementation of the technical collaboration entered with Messrs. Brown Boveri and Company, Baden, Switzerland, is now under progress.

An order is being negotiated with the Indian Railways for the manufacture of compressors for electric locomotives and the company is very hopeful of receiving orders for considerable number of Compressors. The company during the year has secured further

ncy of Messrs. Franz rat GmbH, Bonlanden, st Germany, for circular tting machines. Those knitt- machines have a very good rket in this country. The npany is also holding an ency for Sulzer Weaving Ma- nes manufactured by Messrs. zer Brothers Limited, nterthur, Switzerland. The npany has been able to ocure considerable orders Sulzer Weaving Ma- nes from Messrs. Bombay eing and Mfg. Co. Ltd., mbay, and Messrs. Calico ills, Ahmedabad. Messrs. rckhardt Engineering Works mited, Switzerland, have also pointed the company as ents in this country for their oducts such as compressors, ccum pumps and accesso- es.

lew Issues

Machinenfabrik Polygraph ndia) Ltd, has a programme manufacture high speed so- histicated printing machinery or which there is a great emand in the country. In ne first phase the company taking up the manu- acture of automatic flatbed printing presses, rotary off- et machines, automatic pla- en press (grafopress type) and vire stiching machines. The plant is being set up at Kolha- pur, an under developed area n Maharashtra. The first printing machine will roll out of the factory in the first quar- of 1974. To raise part of the resources required for the im- plementation of the project the company will be entering the capital market sometime in August with a public issue of Rs 30 lakhs, all in equity shares of Rs 10 each. The company has entered into a collaboration agreement with Veb Polygraph of German De- mocratic Republic, one of the world pioneers in the field of printing machinery. With de- mand outstripping supply and backed by collaboration with one of the first rate and finest manufacturers in printing ma- chinery, the company expects to earn good profit from the very first year of its produc- tion and hopes to declare a maiden dividend of not less than 10 per cent.

Bengal Ferro Alloy and Steel Ltd., promoted by Piramals of Bombay and Beriwals of Calcutta, is establishing a steel project at Kalyani, near Calcutta. It is putting up a 10/12 tonne electric arc furnace and the plant will have an installed capacity of 18,000 to 20,000 tonnes of mild steel ingots per annum. The plant and its production facilities have been so designed that there is considerable scope for expansion at minimum cost. Commercial production is expected to commence by October-November 1973. To finance this project, the company will be approaching in the capital market by the end of July with a public issue of Rs 24 lakhs, all in equity shares of Rs 10 each at par. The capital cost of the project is estimated at Rs 92 lakhs and it will be financed by the share capital of Rs 40 lakhs, secured loan from a nationalised bank of Rs 40 lakhs, deferred payment under IDBI scheme of Rs 10 lakhs and unsecured loans of Rs 2 lakhs. Barring unforeseen circumstances the directors hope that the company will be able to earn handsome profits which will enable it to pay a reasonable equity dividend after 12 months of production.

Handa Rotary Machines Ltd., entered the capital market on July 18 with a public issue of Rs 54.71 lakhs divided into 5,47,110 equity shares of Rs 10 each. In addition the existing shareholders are offering 52,890 equity shares of Rs 10 each at par for sale, thus making a total of Rs 60 lakhs. The subscription list for this fully underwritten issue will close on July 27 or earlier but not before July 20. The company is primarily engaged in the manufacture of high speed automatic offset and letter press roll fed printing machines which can print text books, posters, commercial jobs, magazines, newspapers and continuous computer forms. At present the company manufactures at its plant at Vapi Industrial Estate, Gujarat, sophisticated second generation offset presses. The company has acquired 1,44,000 square metres of land at Umbergaon for its second and much larger plant which goes into production in the latter part of 1974. The company has already commenced its marketing operations and has earned a good profit in the first year of its working. It now looks forward to declaring very handsome dividend in 1973-74. The object of the present issue is to finance the enhancement of its existing manufacturing activities and to commence the construction of its second manufacturing plant at Umbergaon. The company proposes to manufacture more sophisticated equipment at this site to cater to its foreign markets and to meet its increasing demand at home. The country is importing well over Rs 15 crores worth of printing machines and equipment each year. This caters only to party of the major demand which is likely to be in the region of Rs 50 crores by 1980. Apart from this, there is a tremendous export potential. Handa Rotary Machines is the only manufacturing company in the country which is capable of meeting this challenge.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend dec lared for	
		Current Year	Previou Year
Higher dividend			
Blue Star	December 31, 1972	15.0	12.
Chemicoat	March 31, 1973	15.0*	Nil
Raghuvanshi Mills	March 31, 1973	12.0	10.
Surat Electricity Company	March 31, 1973	12.5	12.
Paper Mill Plant and Machinery Manufacturers	March 31, 1973	10.0	[illegible]
Same dividend			
Alembic Glass Industries	December 31, 1972	12.0	12
Arunoday Mills	December 31, 1972	12.0	12
Vickers Sperry of India	March 31, 1973	15.0†	15
Sathe Biscuits	March 31, 1973	6.0	6
Bridge and Roof Co (India) Ltd	December 31, 1972	Nil	N
Kaira Can	March 31, 1973	10.0	10
Poysha Industrial	March 31, 1973	10.0	10
Reduced dividend			
Dhrangadhra Chemical Works	March 31, 1973	8.0	1

†On enlarged capital
*Maiden dividend

RECORDS AND STATISTICS

Report of the committee on cloth prices

TOWARDS THE close of 1972, following the imposition of power-cuts at major textile centres in the country, there was a prospect of sharp increase in yarn and cloth prices. The situation was kept under continuing and careful review and in Febrauary, 1973, statutory price and distribution control on cotton yarn was enforced.

During the budget session of Parliament some members of Parliament drew grovernment's attention to the sharp rise in cloth prices in recent months. With a view to evolving effective measures for dealing with the problem of cloth prices, the Commerce minister appointed an official commitee headed by the Commerce Secretary, which included a senior representative of the ministry of Finance, the Textile Commissioner, Managing Director of the National Textile Corporation and chairman of Bureau of Industrial Costs and Prices, to study the price situation and recommend steps which may be taken for disciplining cloth prices. The inclusion of the managing director of the National Textile Corporation in the committee was considered particularly relevant so that the committee could benefit from the experience of the 103 mills under government management in respect of the movement of costs relative to prices.

In view of the fact that almost all wearable varieties of coarse cloth are already under price control and fine and super-fine fabrics do not form a significant portion of cloth consumed by the middle and and lower income groups, the committee decided to confine its study to wearable cloth of lower and higher medium categories.

On the basis of data collected by the committee, it has been found that with reference to the average level of costs and prices obtaining in 1972, the average price levels in 1973, did not reflect an increase greater than the increase in cost of inputs over the same period. The committee also found that between November, 1972 and the end of June, 1973, cost of production of cloth had risen on the average by 15.5 per cent, the increase in wholesale cotton prices in this period being somewhat over 20 per cent and increase in wages and salaries being 9 per cent. Other inputs like power and fuel, spares, processing etc. have also shown significant increases. In the case of mills which have been affected by power cuts exceeding 10 per cent the unit cost of production has gone up by a significantly higher percentage. It may be noted in this context that cotton accounts for about 50 per cent of the unit cost of cloth while wages and salaries account for about 20 per cent of the cost.

While the average quantum of price rise during 1972 and the first half of 1973 was not higher than the rise in the cost of inputs in the same period, in the case of some of the wearable higher medium varieties, such as shirting and longcloth, the price rise was higher than what could be justified by the rise in the cost of production. The committee took the view that the tendency of some mills to exploit the bullish market situation resulting from factors such as fall in production due to power cuts, bouyancy of exports, etc. should be curbed. At the same time, the committee concluded that besides checking the price rise at the ex-mill level, it was equally important to ensure that the trade did not charge an unduly high margin on the sale of cloth. In the case of controlled cloth, the trade margin used to be 20 per cent upto October 31, 1972 and this margin had been reduced to 12 1/2 per cent over the ex-factory price from November, 1, 1972. It was, therefore, considered desirable that the trade-margin for all wearable non-controlled varieties in the higher and lower medium categories should be brought down from the existing level of about 30 per cent to a maximum of 20 per cent over ex-mill prices plus central excise duty.

In March, 1971, a reference had been made to the Bureau of Industrial Costs and Prices to look into the cost-price relationship in the cotton textile industry, with special reference to the production and pricing of controlled cloth. The bureau have submitted their final report in the second week of June, 1973 and the report is currently under examination.

While longer term decisions will be taken on the basis of the Bureau's findings, as an interim measure, government have decided to implement the recommendations of the Committee on Cloth Prices. Hence, with a view to stabilising cloth prices and providing some tangible relief to consumers, the following decisions have been taken:—

(i) Ex-mill prices of all wherable varieties of coarse, lower medium and higher medium cloth (excluding those already under statuto price control) will be su ject to an upper limit co responding to the pric obtaining in Nover ber, 1972, plus 10 p cent to cover increas in the cost of inputs the subsequent period.

(ii) The trade-margin in re pect of the above cat gories of cloth, excludi those already und statutory control, will n exceed 20 per cent of e mill prices plus centr exise duty.

(iii) Both maximum ex-m prices and maximu retail prices calculat on the above bas will be stamped at t beginning and end each piece-length wearable cloth.

(iv) Implementation cor mittees consisting of r presentatives of the Te tile Commissioner, indu try and trade, will be s up at each of the ma textile producing centr in the country. The committees will invse gate cases of violation

government's decision and bring the matter to the notice of the Textile Commissioner and the apex associations of industry and trade, as the case may be for appropriate action.

At all important consumer centres in the different states, watch-dog committees will be set up consisting of representatives of the state government, industry and trade and consumer's associations, if any. These committees will look into retail prices of cloth and report violations of government's decisions to the government and associations of the industry and trade concerned, for remedial action.

It is expected that the above measures will result in significant reduction in prices of non-controlled wearable cloth in the lower and higher medium categories. Apart from the 10 per cent reduction in trade-margin, ex-mill prices will be brought down in all cases where the rise has been more than 10 per cent over November, 1972. The prescription of a maximum price ceiling on this basis should have a healthy restraining influence on the price situation.

The above arragements will remain in force for three months starting from July 20, 1973.

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sk force tea

TASK FORCE on Tea, ituted by the ministry of merce, has submitted its rt for the following three s of reference:

Problem of closed and sick gardens.

Review of the arrangements for promotion of tea abroad.

To examine the procedure to make available essential inputs, such as fertilizers, weedicides, imported machinery and foreign exchange requirements for brand publicity and visits abroad.

The highlights of the remendations of the task e are:

Closed and sick gardens

) The Tea Act or an appropriate legislation should incorporate provisions empowering the government to take over and manage sick gardens. These powers should be analogous to those which are at present contained in the Industries (Development and Regulations) Act.

) Government should acquire legal powers to order investigation into the working of a tea garden having a factory of its own which is considered sick in terms of the criteria laid down.

) A garden may be treated as sick if it has incurred losses in three out of five preceding years, its yield is lower by 25 per cent in three out of the five preceding years than the average yield of the industry in that district and where a garden is habitually defaulting in meeting its statutory obligations.

(d) Government may at its discretion take-over for such period as may be recommended by the committee, but not less than seven years, a sick or closed garden which is capable of being turned into a viable unit.

(e) The management of the garden taken over may be entrusted to the Tea Trading Corporation of India Limited or a central or state public corporation or any other appropriate agency which the government may consider suitable for the task.

2. Promotion of tea

(a) Adequate allocation for promotion of tea abroad should be made available to the Tea Board.

(b) The powers of reappropriation may be liberalised for the Tea Board to provide operational flexibility.

(c) In order that greater funds which are made available are utilised properly and with the full knowledge of government and to introduce greater flexibility as is available under the Marketing Development Fund, the Task Force recommends that a committee know as "Empowered Committee" be set up. This committee should have chairman, Tea Board, and representatives of the ministry of Commerce, ministry of Finance (Expenditure) and department of Economic Affairs on it. The committee could meet ordinarily not less than once in a month and even at shorter intervals, if necessary. All schemes which require government approval should be placed before the committee and the decisions of the committee should be taken as final decision of the government.

(d) To undertake brand publicity abroad by exporters of tea in packets and bags, adequate allotment of foreign exchange within a ceiling should be made to Tea Board so that Tea Board should be authorised to release to the exporters appropriate amounts to enable them to plan ahead and undertake meaningful publicity in time.

3. Inputs for the tea industry

(a) The chairman, Tea Board, should be authorised to recommend applications for import licences for machinery and equipment to the ministry of Industrial Development. The DGTD may formulate a policy in respect of items usually imported by tea gardens and the trade, keeping in view the 'indigenous' angle. This should be valid for one year.

(b) The chairman, Tea Board, should be authorised to recommend applications for issue of licences for spare parts and miscellaneous material against free foreign exchange directly to the licensing authorities.

(c) Sufficient quantity of tinplate waste material should be permitted to be imported to meet the full requirements of the industry and its distribution effected on the recommendations of the chairman, Tea Board.

(d) Full requirements of paraquat for the tea industry should be allowed to be imported till such time that this item is manufactured in India. This is an essential item for the preparation of Gramoxone, a recommended weedicide.

(e) Adequate supplies of fertilizers to all gardens according to their requirements should be ensured. The Tea Board should assess the requirements for each year to fit into the pattern of supplies to different states.

(f) The Tea Board should ensure that fertilizers are taken by the gardens as and when available instead of waiting for the actual period of application in view of uncertainties of production and railway movement.

The task force was constitutied in April, 1973, with Mr Y.T. Shah, secretary, ministry of Commerce, as chairman.

Rise in costs of rrigation and multipurpose projects

AST YEAR the government of ndia appointed a committee f experts to investigate scienfically the causes of the mounng costs and the frequent evision of the estimates, nd the consequent delay n the completion of rigation and multipurpose rojects. The committee was eaded by Mr J.P. Naegamvala, x-officio Joint Secretary to he Ministry of Irrigation and Power and had 13 other memers. The report of the commitee was submitted to the goernment sometimes back. The ecommendation of the commitee (which have been given beow) include the suggestion hat the cost-benefit criterion hould continue to be used for udging the economic feasibility f irrigation projects. However, the committees has ured the government to make nore through arrangements for ollection and maintenance of he data required so that old nd out-of-date figures are not sed in working out the beneit-cost ratio. Among the auses responsible for cost ncreasese, the committee has dentified the following:— (a) ise in prices; (b) inadequate nvestigation; (c) inadequate provision; (d) change in scope of the project; (e) change in design and additional requirements; and (f) other reasons such as increase in land rates, rehabilitation measures, paucity of funds and poor performance of equipment.

Investigation of Projects

For investigation of projects in general, each State should have a broad-based organisaion involving all disciplines engineering, geology, hydrology, revenue, agriculture, etc.) so that work is done by persons experienced and expert in each of the specialised fields.

Immediate steps may be taken to set up a standing committee for the development of basic data required for planning water resources projects; such a committee must establish liaison with appropriate governmental agencies engaged in the development of data; the committee must prepare annual programmes for data collection and analysis.

A minimum standard for factual information which a project report must meet before it can be considered for acceptance should be established.

Steps should be taken to see that researches are continued to improve techniques of data analysis; programme of inservice training to impart recent technical know-how in this subject must also be developed.

Important Steps

Steps should be taken to improve data status:

Hydrology: More raingauge and evaporation recording stations; scrutiny and analysis of existing data through computor; more surface water gauging stations; temperature recordings at these stations to be increased; more intensive ground water survey; more observation wells; more samples for analysis of chemical and sanitary quality of water.

Sedimentation: More stations for sampling of sedimentation loads; more survey of reservoirs; scrutiny and analysis of existing data.

Topography: An annual programme of adequate magnitude for topography mapping must be prepared; topographic mappings of critical areas must be completed first; maps must be updated from time to time.

Geology: The country must be covered by standard geological maps showing surface as well as structural geology for water resources development. Certain time target may be specified for the purpose.

Soils: Nationwise soil classification and mapping must be completed within a certain period depending upon the resources; more coordination of activities between the agricultural and engineering departments; cadastral surveys must be completed as early as possible.

Vegetation: Forest surveys must be completed within a reasonable period.

Fish and Wild Life: Information on population, trends and densities of fish and wild life species must be collected.

Importance of Data

Socio-economic: Such data on population, means of livelihood, transportation, trade, industrial production, power and flood damages not regularly collected by existing agencies must be covered; necessary geographic and time break-downs must be obtained, data on agriculture may be obtained through the National Sample Survey Organisation (Cabinet Secretariat); similar data on industry and mining through surveys carried out by the Central Statistical Organisation and the Indian Bureau of Mines; data on recreation should be collected through surveys to be conducted by the Department of Tourism data on domestic and industrial water supply must also be collected through appropriate agencies; data on water pollution must be collected through the Department of Health and special surveys; effect of land management on watershed hydrology must also be studied.

Steps should be taken to set up national and regional water data banks for the storage, retrieval and analysis of data collected by various agencies.

Adequate monetary incentives as well as other compensatory benefits should be provided in order to attract bright and enthusiastic officers to come forward and undertake field investigation assignment under arduous conditions of life.

Suitable funds should be allocated for investigating properly the projects proposed. A part of this allocation could be on earmarked basis for investigation of specific important and complex projects.

Very big projects costing over Rs 30 crores require a more strict treatment. In their case the first stage should invariably be the sanction of an investigation Estimate on the basis of the preliminary project report or reconaisance report. The outlay on such an estimate could be as much as 5 per cent of the anticipated total cost of the scheme and should be sufficient to enable a well-manned organisation to be set up at the project site for carrying out thorough investigations and preparing detailed estimates in terms of accurate data on quantities, etc. The organisation should be headed by a senior engineer who could be expected to take over the execution of the project also in due course.

Close Co-ordination

The C.W. & P.C. should associate itself closely with the investigation organisations setup by the States and give them necessary guidance and assistance in their work.

The guidelines laid down by C.W. & P.C. for the minimum investigations to be carried out before preparation of a project report and estimate for approval of the Planning Commission should be strictly followed for preparing the reports and estimates of all major irrigation and multipurpose projects in the country.

C.W. & P.C. should prepare and issue guidelines for investigation of drainage part of the schemes.

Studies regarding outputs of indigenously manufactured earthmoving machinery should be carried out by C.W. & P.C. and norms laid down.

Selection of construction equipment and choice of construction procedures is a specialist's job. Steps should be taken by the State Governments for pooling the expertise available with them and creating a cell which would advise and help the project formula-

agencies in the prepara- of construction schemes, ipment selection and plant outs.

tate Governments should ke a more thorough arrangement for collection and ntenance of the basic data uired for working out the efit-cost ratio viz cost of uts like seed, manure, etc; ue of outputs like produce, der, etc and operation and intenance charges of irrigion projects.

There should be someone e the area development authority in every State who ould be responsible to continously watch all the developments brought by irrigation so to maintain an integrated ew of the area. In every ate socio-economic studies evaluation of benefits derid from the projects after mpletion should be taken and done periodically by itable agencies in association th the planning departments, iversities, etc. This would lp in framing future policies effect further improvements.

With a view to reducing essure on the financial reurces of the country and enring economic utilisation of e capital and equitable disibution of projects, these hould be planned in phase nd taken up phase by phase.

omprehensive Planning

To avoid change in scope f a project (such as, increas- s in area to be irrigated, inrease in power generation caacity or increase in flood conol benefits) during construcon the project should be planed more comprehensively at he early stage.

There is no objection in rinciple to the change in cope during construction proided the incremental cost is ustified vis-a-vis the next best vailable alternative. There is, owever, serious repercussion f this change. Because of inrease in scope the cost goes p and the entire planning of esources is through out of ear. Whether to agree to the hanges in scope has to be deided taking into account the conomic constraints availability of funds and resources in the context of overall planning. On this consideration changes in scope may be avoided.

However, changes in scope during construction may be allowed in situations where, by not making changes in the project feature, the chances of effecting increase in scope are permanently jeopardised.

In case changes in scope have to be accommodated after the approval of the project, the additional works should wherever possible be sanctioned as separate schemes whose costs have only to be arithmatically added to the earlier project to find out the total cost.

When it is not possible to bring up a separate scheme to cover the changes in scope, the estimate of the project with the increased scope should be sanctioned as a "modified project" and not merely as a revised estimate.

No change in the existing administrative procedure to prepare plan estimates at current prices is called for. However, as an instrument of planning it would be unrealistic if no arrangements are made to take notice of the crucial factor of inflation. For this purpose a suitable cushion should be devised which may fit in with the governmental financial mechanism. Approval of a scheme takes some time. Commencement of real construction work after approval also takes time. Then comes the construction period. To cover the increase owing to economic changes over the long period, an appropriate indicator of price rise (i.e. an adjustment factor) should be constructed and the increase so obtained added to the estimate as a 'supplementary provision' for adjusting cost estimates of plan projects.

An Adjustment Factor of 7 per cent per year should be adopted in working out the 'Supplementary provision' for adjusting the cost estimates of plan projects. In applying this factor the estimated cost of the project should be relieved of the cost of land and only 50 per cent of this factor should be considered for the period of actual construction. (As regards cost of land, recommendation no. 26 refers.)

Adjustment Factor

The adjustment factor should be reviewed from time to time after taking into consideration all aspects of the economic situation in the country. For this purpose the Central Water & Power Commission should have a permanent study cell for collection of data and preparation of Construction Cost Index for the works of river valley projects.

To cover cost increase due to changes in design and additional requirements at the time of detailed design and construction which invariably occur in river valley projects because of their complex nature, additional provisions should be made in the estimate prepared at the feasibility report stage under a head which may be called "Margin of error".

'Margins of error' indicated below are recommended for various types of works. The recommendation is made on the premise that the preliminary designs are based on adequate investigations at the initialstage as given in table below.

The margins of error obtaining for different types of works should be constantly studied and periodically reviewed for adoption of any revised standards in future.

A Central Committee consisting of concerned officials may be formed and assigned the task of evolving a standard approach for adopting the rate of compensation for land which would recognise (i) a fair deal to those affected and (ii) prevent any artificial increase in the cost of land.

There is no uniform policy regarding scale of rehabilitation measures. A broad national policy on rehabilitation should be laid down with provisions for reasonable modifications being permissible on the merits of each case.

Once full compensation ha been made for the land an property acquired, any additional expenditure incurre towards creating a new an better environment for thos displaced on account of construction of the project is pure ly on social and welfare con siderations and is not a pro per charge to construction Although, there may not b any alternative but to charg this to the project cost, it ma be excluded for benefit-cos analysis.

Planning for constructio equipment should be given du importance right from th stage of formulation an the project report shoul contain a complete blu print of construction pro cedures and types of equip ment proposed to be used i the execution of the project. Realistic assessment of th

Headworks	10 to 15 per cent
Tunnel & Other underground works (in Himalayan region)	30 to 40 per cent
Distribution system	
i) Primary System (consisting of main canals and branches)	10 to 15 per cent
ii) Secondary System (consisting of distributries and minors)	20 to 25 per cent
iii) Tertiary System (consisting of minors & water courses)	25 to 30 per cent
Hydro-electric Installations (Civil Works)	40 to 50 per cent
Drainage Works	20 to 40 per cent (The margin would b on the lower side f alluvial soils and hi in case of other typ requiring more de sign)

tputs of indigenous earth-oving equipments should be ade while estimating the unit sts.

Alongwith the preparation the feasibility report for a oject, a feasibility plan for ainage should also be made ailable and cost thereof pro-led in the estimate.

Programme Evaluation and eview Technique (PERT) d Critical Path Method PM) network may be attem-ed right from the project rmulation stage so that the ogrammes so drawn up can rm part of the project report.

For guarding against inade-iate provisions in project es-mates, more care should be ercised in framing the esti-ates by those concerned with eir preparation, as also those ho check them. Advantage ay be taken of the finalised st figures incorporated in the mpletion reports of already ecuted projects. In this con-xt the Committee strongly commends that the prepara-on of completion reports, hich has not been given ade-uate importance in the past, hould be insisted upon to be nalised within two to three ears of commissioning the roject.

echnical Examination

The set up for technical ex-mination of projects in the C.W. & P.C. needs to be treamlined and suitably trengthened. It has also to be een if examination of the same spect in the project report by wo departments can be dis-ensed with to avoid delay.

It is understood that in pursuance of the suggestion made in the report on 'Criteria or Appraising the Feasibility of Irrigation Projects' publish-d by the Planning Commis-ion in 1965, a Working Group was constituted by the Plan-ing Commission comprising rrigation experts, economists and planners for preparing a manual of standard procedur-s and methods for working out the benefit-cost ratio. It s further understood that the draft manual so prepared is under wide circulation for eliciting comments and sugges-tions. While finalising the ma-nual the Planning Commis-sion may go into the question of the procedure for assess-ment of benefits in depth and indicate clearly the data which will be required to be collected for the purpose of working out the benefits and costs, il-lustrating at the same time the methodology to be followed step by step in arriving at the benefit-cost ratio. The cost of developing land for irrigation when it newly comes to a re-gion should not be missed in working out the B.C. Ratio.

In connection with the set-ting up of Control Boards for the construction of irrigation and multipurpose projects, the views and recommendations of the irrigation Commission as given below are endorsed for acceptance:-

A Control Board

"We consider that all large inter-State projects and any State project costing Rs 500 million or more should have a Control Board. Even for projects costing less than Rs 500 million but which are of a complicated nature, a Con-trol Board would be desirable. To be effective, Control Boards should be delegated the maxi-mum powers and should in turn, be liberal in delegating powers to the Chief Engineers of projects in the interests of efficiency.

In State where several pro-jects are under construction, a single Control Board with stan-ding committees for each pro-ject would suffice. This would help to promote the best use of man-power and equipment.

Where a major project rece-ives special financial assistan-ce from the Union Govern-ment, the centre should be adequately represented on the Control Board."

For a major river valley pro-ject there must be a Chief En-gineer or a Project Manager posted exclusively for its exe-cution.

It is essential that the per-son in charge of execution of a project is vested with appro-priate authority—both administrative and financial so that he may discharge his respon-sibilities unhesitatingly. There is thus a very cogent case for delegating more powers to the Chief Engineer|Project Mana-ger even when there exists a Control Board for overall dir-ection as regards planning and execution. A team of officials including technical officers from various projects in the country may be set up to go into the question of delegation of enhanced powers to the Chief Engineer|Project Mana-ger and his executives and draw up a model for adoption in the projects to be taken up in future.

There should not be too fre-quent changes in the key per-sonnel entrusted with the exe-cution of the projects.

For a successful implemen-tation of the development pro-grammes, there is a strong need to have competent pro-ject managers. To create a nucleus of such experts, senior technical officers who show an aptitude for project manage-ment should be earmarked for special training.

Training Programme

A comprehensive institute should be set up in the Centre and preferably in C.W & P.C. for training in the water res-ources sector of all officers—engineers, geologists, account-ants, planners and managers who are engaged in project works. At the State level also there should be training faci-lities in the water resources sector for junior officers of the rank of supervisors, junior en-gineers, etc. The existing faci-lities like Water Resources De-velopment Centre at Roorkee and Administrative Staff Col-lege at Hyderabad should be utilised fully till such time a comprehensive institute at the Centre for training in water re-sources sector comes up.

The use of all the modern management techniques based on "System" approach in the implementation of river val-ley projects is strongly ad-vocated.

For the introduction of the modern management techniques it would be necessary to have properly qualified staff in the organisation. Moreover, persons at all levels of ma-nagement will have to be fully conversant with these techni-ques. Adequate arrangement should, therefore, be made for the training of project person-nel for this purpose.

A detailed plan of work should be chalked out and schedules drawn up visualising each important activity and taking into account the limita-tions and inter-relationship of one group of activities with another by the use of modern programming techniques.

Material Management

It is necessary in case of major projects to adopt the modern systems and techniques of Material Management and Inventory Control.

It is important to establish Cost Engineering Cells on ma-jor projects as already advised by the Ministry of Irrigation and Power which will go a long way in controlling costs and keeping the estimates up-to-date.

A Management Information System designed to provide information on cost and time for use by the Project Mana-gers for decision-making be devised.

For exercising efficient fin-ancial control during execu-tion of river valley projects Performance Budgeting sys-tem should be adopted.

Ministry of Irrigation & Power may take necessary steps at the highest level to bring pressure on the manu-facturers of indigenous equip-ment which are in both private and public sectors for giving better service to their custo-mers.

In allocation of financia resources irrigation and multi purpose projects should re ceive very high priority and adequate funds so that al projects approved by the Plan ning Commission are comple ted in optional time and further escalations in cost du

...protracted justification pe... that are avoided.

Advance programmes for stock-piling of construction materials and spare parts should be made very carefully by engineers with experience and foresight.

Some reasonabe advance stock-piling of construction material and spare parts should be permitted.

Wherever possible, a cement factory situated near a project requiring a very large quantity of cement for its construction could be linked to the project.

In deciding the agency for execution of project the following policy should be followed:

In general, for big jobs, execution through departmental agencies should be encouraged.

Projects which are of complex nature and where there is possibility of changes being effected as a result of further investigations during pre-construction stage, should invariably be executed by departmental agency.

Projects which are fairly well defined can be got executed through contractual agencies if suitable contractors come forward.

When work is handed over to a contractor, arrangements could be made to provide him with sources of easy finance, cheaper and quicker supply of materials and other conveniences so that he can execute the work quickly and economically. Such measures would also help remove scarcity of good contractors.

Everything else remaining same, when the project is labour-intensive, it would be better to get it executed through the contractor, while a project which is capital (Machinery) intensive could be carried out departmentally.

For expediting the acquisition of land and to prevent delays in the execution of projects and consequential rise in costs the following recommendations made recently by the Land Acquisition Review Committee set up by the Government of India are endorsed for implementation:-

(i) The setting up in each state of a Directorate of Land Acquisition under a Member of the State Revenue Board, which would be responsible for land acquisition;

(ii) a regular monthly ... view of progress at the C... lector's level;

(iii) adequate pre-plann... for the acquisition of land ... quired by projects and ... issue of notifications specify... the project areas. These no... fications would be valid ... two years within which peri... the land would have to be ... quired;

(iv) prescribing time lim... for the Directorate of La... Acquisition to complete ... quisition proceedings; and

(v) Special powers to d... with specific emergencies."

Special land acquisition ... ficers should be earmark... for major projects so th... they can give their undivid... attention to the project wo...

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Boom in Exports?

Regional Imbalances

Poverty in India

and a report on the
RAYON INDUSTRY

Challenge of cellulosics

THE rayon industry has come in the limelight rather suddenly. Especially because of a shortage of cotton yarn in the country, the importance of rayon filament yarn as a supplementary textile fibre, which could help meet the clothing needs of the people or assist in maintaining production and employment in the decentralized weaving industry, has become clear and conspicuous. Simultaneously there has been considerable activity on the export front. Not only are our rayon fabrics finding profitable export outlets in many countries including those which were or still are leading exporters themselves, but our rayon yarn, rayon tyre cord and cellophane are in demand abroad. Finally, with the rapidly growing popularity of blended fabrics, staple fibre has also found an expanding market and is helping the country to save on cotton including imported cotton.

All these developments have naturally brought about a welcome revision in the view, which was becoming dangerously fashionable in our country, that the cellulosic fibre industry did not have a dynamic future and that it was bound to yield ground steadily to synthetic fibres such as nylon or polyester. More important still, it has prompted informed opinion in this country to view with concern the stagnation which had been witnessed in recent years in the growth of cellulosic fibre capacity. It is now widely felt that responsible and intelligent textile planning for the fifth Plan or beyond should not only attend to the growth needs of cotton textiles or synthetic fibres but also cellulosic fibres so that the people's demand for clothing in all its variety and at different price levels may be met in a satisfactory manner. This climate of opinion has made it easier for planners and policy-makers both in the government, including the Planning Commission, and the textile industry, including its main branches, namely, cotton and man-made fibres, to formulate the various investment and production targets realistically and with foresight. Again, within the man-made fibre industry itself the respective claims of cellulosic fibres and synthetic fibres are now being discussed in a constructive way so that there may be balanced development of both sections of this part of the textile industry.

Given the need for a sound, swift and substantial expansion of the cellulosic fibre industry, it is obviously desirable that the problems and requirements of this expansion are discussed objectively and in the public interest. Recently, in Bombay, the Development Council for Man-Made Textiles made a substantial contribution to this end by presenting a well-informed report by a sub-committee set up by it to recommend targets for cellulosic and synthetic fibres. The Association of Man-Made Fibre Industry will be discussing shortly, also in Bombay, the imperatives of an economic climate which would help the cellulosic fibre industry to grow as an integrated whole, progressing in all its essentials such as the domestic manufacture of rayon grade pulp, the manufacture of modified staple fibres such as high-wet modulus or polynosic fibre, the expansion and production of rayon filament yarn and the rationalisation, modernisation and expansion of the decentralized weaving sector. Elsewhere in this issue, *Eastern Economist* too has addressed itself to these problems and, in a special report, attempted to view in the right perspective the opportunities and needs of the rayon industry. It has recommended a package of policies and programmes for both government and industry which would encourage and enable this industry grow in prompt and adequate response to domestic requirements and export possibilities.

It has been the painful record of our five-year Plans that their performances have not matched their promises. As a result, even in the matter of such a basic essential as foodgrains, the country has not succeeded so far in gaining for itself a stable capacity to feed itself through good years and bad. In the case of clothing, another essential material which enters into the very fabric of the people's welfare, our experience has been even less satisfactory. If the *per capita* consumption of cloth is not showing enough progress, it is almost wholly because a very high proportion of our people is ill-clothed as well as ill-fed. Poverty no doubt explains much of all this. Nevertheless, blame must rest on those who, through the years, have been responsible for planning for or programming a steadily increasing production of the basic necessities of life but have failed miserably to give a good account of themselves. Even as the fifth Plan gives them yet another chance for dynamic thinking and action, mass consumer goods industries such as rayon sternly bids them to show that the country's interest will not be continually betrayed through political attitudes which discount investment or production. Meanwhile, the fact that the ministry of Commerce is taking its own time for reaching decisions on the report of the Tariff Commission which was submitted in 1970 suggests perhaps that the complicated nature of the problems of the industry is at least being borne in mind.

eastern
ECONOMIST

JULY 27, 1973

Boom in exports?

...s, indeed, encouraging to note that ...sharp increase in exports last year—...m Rs 1,608 crores in 1971-72 to ...und Rs 1,900 crores—has not lulled ...ministry of Commerce into compla...cy. Addressing the Board of Trade ...eting last week, the minister of Com...rce, Prof. D.P. Chattopadhyaya, signi...ntly pointed out that the last year's ...rt in exports was to a great extent ...outcome of certain favourable factors ...the export of such items as leather ...leather manufactures, cotton textiles, ..., the emergence of Bangladesh as a ...buyer of our goods, following sizeable ...made available to it by our govern...nt, and currency fluctuations, which ...ulted in a de facto devaluation of the ...ee in relation to several currencies, ...ticularly the yen and the D'mark. He ...o pertinently cautioned that the grow... difficulties of raw materials and power ...rtages till lately would have resulted ...dwindling of export surpluses. Exports ...s year, therefore, may suffer some ...back owing to these two factors as well ...due to the exceptionally favourable ...tors of last year not continuing to ...erate.

...Equally gratifying is the observation ...Prof. Chattopadhyaya in his inaugural ...dress to the 17th annual general meet... of the Engineering Export Promotion ...uncil, which was also held here last ...ek, that export strategy should be ...horn of sterile ideological considera...ns". One only wishes that Prof. ...attopadhyaya will practise what he ...norts. Pragmatism is one thing that ...generally lacking in the governmental ...licies at present. No doubt, the ...ermath of the 1971 Indo-Pakistan con...t and the last year's severe drought ...ve created a number of distortions in ...r economy. But the dogmatic pursuit ...socialising several segments of the ...onomy, in utter disregard to the antici...ted complications, too, has been res...nsible for the current difficulties to no ...all extent.

The most important task that the ...mmerce ministry faces at present is ...neutralise the likely impact of the last ...months' rapid rise in prices on export ...de. This spurt in prices not only has ...reased the lure of the domestic market ...t has also raised production costs ...ite significantly. As a result, exports ...many items can be expected to suffer.

The Finance ministry has undoubtedly woken up to the alarming portents of the upswing in prices currently compared to the corresponding period last year—not to speak of the sizeable inflation in the previous six months, immediately following the 1971 Indo-Pakistan conflict. But there can be no denying the fact that the measures indicated so far—curtailment of deficit financing and mopping up of surplus money in the economy through increased borrowings—are only of a limited efficacy in the present situation when there are widespread physical shortages. The easing of power situation lately should help to some extent in improving production, provided labour situation does not deteriorate, the possibilities of which cannot be ruled out due to the distress caused by accentuating inflationery tendencies. The central as well as the state governments will have to govern in the real sense. Any leniency in tackling the situation in view of the elections in some states a few months hence will only add to the difficulties.

If exports are to be fostered, it is imperative that our goods are made competitive in the world markets. Provision of raw materials at international prices for the manufacture of exportable goods is one method. The government does provide this facility in the case of some raw materials. The list of such raw materials apparently has to be enlarged now. Alternatively, the cash assistance schemes to neutralise the high costs of production have to be suitably revised. In the case of some items, such as carpet backing, export duties may have to be abolished. As Mr K.K. Birla stressed at the Board of Trade meeting, a realistic approach to such problems as export duties is called for, particularly in respect of jute goods the availability of which is far in excess of world import needs and the competition from synthetics is growing. The export duty on carpet backing has been reduced twice in the past 10 months, but the situation has not improved as yet.

Significantly enough, while the exports of many items showed moderate to marked improvement last year—the former category includes cashew kernels, chemicals and allied products, coffee and tea, and the latter category leather and leather manufactures, cotton textiles, handicrafts, tobacco, fish and fish products, oilcakes and castor oil—the exports of engineering goods looked up only slightly. The achievement in this field fell short of target by as much as Rs 50 crores. The task force that has been set up to consider ways and means of availing of the concessions under the generalised scheme of preferences introduced by several advanced countries would indeed suggest measures to improve exports of engineering goods which can derive good benefit out of GSP. But the most important problem of engineering industry is the paucity of steel.

The efforts being made to ensure steel for exports of engineering goods, by raising domestic production as well as by increasing imports, are welcome. But the announcement by the Commerce minister that henceforth imported steel will be made available for the execution of export contracts where the f.o.b. value of finished products is at least 25 per cent higher than the value of all inputs at c.i.f. prices, will affect exports of many engineering products. As an ultimate goal, the encouraging of exports of high added value engineering goods, indeed, is laudable. In the present circumstances, however, this announcement can arrest the growth in these exports. Sizeable foreign exchange is currently being earned through exports of simple and less sophisticated engineering goods the added value in the case of which is not as high as 25 per cent. A second look on the issue is needed, lest the process of revival in these exports witnessed last year is reversed.

In the interest of keeping up the increase in exports, in view of aid-weariness abroad and the government's policy of achieving self-reliance as expeditiously as possible, the exports of traditional items have to be fostered in the same manner as those of non-traditional items. The government should not grudge incentives for raising the production of both traditional and non-traditional items of exports. In fact, what is required at present is a big push to production all round. This will not only help in containing the prices spiral but will also throw up surpluses for export. Sizeable exports of cereals and cereal products were made to Bangladesh last year on humanitarian considerations, but they have added to the difficulties on the domestic front. A balance has to be struck between export imperatives and domestic supplies as long as sizeable export surpluses are not thrown up by a rise in production. The government should do well by making its policies production-oriented. The pursuit of ideological considerations ought to be held in abeyance for more opportune times. The commodity-wise and country-wise studies, which are proposed to be undertaken on a mch larger scale than hitherto, should helu in identifying new avenues of export.p Action on building up capacities in the identified lines will have to be expeditious and uninhibited by ideology.

Wanted: curb on spending

THE RESERVE Bank has been making a mockery of its new credit policy and it is not clear even now whether it is intent on applying the monetary screw uniformly and curtailing inflationery spending in every sector of the economy or it will continue to apply double standards when problems relating to the public sector are involved. After the increase in the Bank Rate by one per cent to seven per cent on May 30, 1973, and the new stipulations relating to a higher cash reserve ratio for the scheduled commercial banks and use of the refinance facilities, there were no changes in buying and selling rates of government securities in open market operations. There was also no upward adjustment in interest rates on bank deposits. The credit institutions too found it difficult to raise their lending rates applicable to those borrowers where they were already in excess of 10 per cent.

These developments clearly indicated that the monetary authorities were acting in a half-hearted manner and were not clear about the efficacy of the dearer money policy that is now being pursued. The impounding of cash balances with the fulfilment of the higher cash reserve ratio by the scheduled commercial banks should have been logically followed up with some measures which would have made the additions to the cash balances sterile. However, when there was a jump in cash balances of the scheduled commercial banks during the week-ended June 29 by Rs 220 crores, the Reserve Bank frowned only on the attempt of member banks to comply with the directive by making use of the refinance facilities to some extent. There was thus an increase in the borrowing of these banks to Rs 140.54 crores from Rs 11.93 crores. These borrowings have been brought down to the previous level in the subsequent fortnight and owned resources have been fully utilised for maintaining higher cash balances.

There is no evidence, however, of an impounding of these balances completely and their being not made available to the central government or other agencies for making their disbursements. There was of course cancellation of ad hoc securities to some extent along with an increase in the credits at the disposal of the statutory finance corporations. But part of the cash resources was utilised for meeting commitments of the central government. While it is not known what exactly is the net advantage derived by the centre as a result of these operations, it can be said that the credit extended by the Reserve Bank out of these balances was tangible and the former in effect completed a second loan operation for the current financial year.

The terms of the new loans for the real third stage of borrowing and the nominal second stage have been announced by the central government and they bear no impress of the dearer money policy. There is also no anxiety to prevent undue pressure on the banking system by staggering borrowing and helping the credit institutions to meet the needs of all constituents on a rationed basis. The notified amount of the three new loans has been fixed at Rs 325 crores and the government as usual has reserved the right to accept subscriptions up to 10 per cent in excess of this sum.

As the maturing $4\frac{1}{4}$ per cent 1973 loan is outstanding to the extent of Rs 159.08 crores, the net amount borrowed can be nearly Rs 200 crores. In July last year however, the gross amount raised was only Rs 386.76 crores even when maturing loans were for Rs 254.85 crores. The net amount borrowed was thus only Rs 131.91 crores. The excuse to borrow a larger net amount on the present occasion is perhaps due to the absence of any large expansion of credit for procurement purposes and a desire to mobilise additional resources for avoiding large-scale deficit financing. With the likelihood of a fresh rise in deposits and contraction in advances, the government will be successful in securing nearly Rs 200 crores after repaying the maturing loan. But one would have expected that it would have been subjected to some financial discipline with a compulsion to pay higher interest charges not to speak of physical restrictions on spending.

The new loans will not result in any significant addition to interest charges because of a change in the pattern of maturity. The long-dated loan carries as before an interest rate of $5\frac{3}{4}$ per cent and matures in 2003 with the issue price at par. The other two loans however have slightly extended maturities with the different issue prices and a slight increase in the interest rate on the medium dated loan. Against the $4\frac{3}{4}$ per cent 1980 loan at par offered in May last year the $4\frac{3}{4}$ per cent loan now offered matures in 1981 and has an issue price of Rs 99.75. Again, against the medium-dated loan of 5 per cent 1984 at Rs 99.50 the present loan carries a higher interest rate of $5\frac{1}{4}$ per cent and matures after 14 years with an issue price at par. There is thus no fundamental change in the basis of borrowing and the maturity dates for the new loans have been suitably adjusted only to suit the convenience of the government.

It will be clear therefore that the Reserve Bank is keen on maximising borrowing through open market loans in the hope of minimising deficit financing. It is also perhaps under the impression that the availability of reduced funds for other purposes will compel banks to adopt a more careful policy when lendnig freshly to borrowers in the private sector. The scheduled commercial banks have also been told that the concessional refinance facilities will not be available in the same form and efforts should be made to manage their operations as far as possible with owned resources. While the new curbs can induce some discipline and prevent indiscriminate credit expansion it has not been satisfactorily explained how a large diversion of funds from the organised money market to the public sector will be helpful in checking inflationery pressures. On the contrary, unrestricted government spending can have more damaging effects than credit expansion for use by the private industrial corporate sector which may have a large productive element about it.

It is unlikely however that any major squeeze would develop in the money market even if the central and state governments and public bodies tried to appropriate to themselves the additions to resources of the banking system in the next three months by issuing new loans and bonds. The diffculty if anything may arise only later in the next busy season when the cumulative effect of heavy open market borrowing may be felt if there is a surge in seasonal advances. The central government is of course on a happy wicket so far as its borrowing programme is concerned as it will be possible for it to excel even the record of last year. The question is whether there will be a corresponding reduction in deficit financing and whether the government will not continue to be profligate in its spending because it is not experiencing any difficulty in raising resources.

With the completion of the second stage of borrowing the target of Rs 880 crores for gross borrowing and Rs 326.41 crores net through open market loans would have been even surpassed. This is because in May gross subscriptions amounted to Rs 550.32 crores and after repaying the 4 per cent 1973 loan the net amount borrowed was Rs 155.81 crores. The net sum raised in the second stage will be roughly Rs 200 crores and gross subscriptions will be over Rs 360 crores. Even after helping the state gov

rnments to secure Rs 150 crores through heir loans in August or early in September, the centre can hope to mobilise additionally Rs 150 crores or even Rs 200 crores in October-November. In 1972-73 new loans were issued on four occasions for securing a net amount of Rs 478.20 crores. It will therefore be seen that there is the prospect of the centre even establishing a new record in 1973-74 by securing a net amount of Rs 500 crores. The strategy of the Reserve Bank seems to be aimed at diverting funds to the public sector, and not bringing about a restraint on total spending. Whether this policy will yield the desired results will depend on the course of developments in the next few months.

Regional imbalances

WHAT ARE the main factors which have tended to accentuate, instead of reducing, regional imbalances in this country? This is a big question on which a number of treatises have already been written. The widely-held view is that planning in this country during the last two decades has, by and large, neglected backward areas; that is why emphasis in government's policy has shifted in recent years to increased incentives for the location of industries in areas which have been neglected by entrepreneurs so far, though increased allocation of funds for the development of backward areas has not shown any tangible results. Mere diversion of resources or provision of incentives cannot lead to a rapid growth of a region. This has been amply born out by a recent study conducted by the Economic and Scientific Research Foundation (ESRF) in relation to the economic progress of Bihar and Punjab during the last two decades which attempted to pinpoint the causes of regional economic disparities.

The ESRF has come to the conclusion that the absence of supporting infrastructural facilities in the backward areas was the chief reason for the continued imbalance in regional development. It is the thesis of the ESRF that without such infrastructure all incentive schemes, including those provided in the budget for the current year, will not be able to effect any material improvement in the level of living of the people in the less-privileged states. Statistical analysis has revealed that between 1958-59 and 1970-71, the per capita development expenditure in Bihar was not even half of that in Punjab. Naturally this resulted in very poor infrastrucure in that state and consequently it affected its economic development. The gap between the two states in per capita income increased from 77 per cent in 1960-61 to 119 per cent in 1968-69.

What were the infrastructure facilities available to Punjab? Here are a few which the ESRF has listed. (1) There was assured irrigation to 90 per cent of the total irrigated area in Punjab while in Bihar only 10 per cent of the area could claim this facility; (2) one farm in five in Punjab was over 15 acres in size as against one in 30 in Bihar; (3) all agricultural holdings in Punjab had been consolidated while only two per cent had received this treatment in Bihar. Consequently Punjab was in a position to exploit very effectively the growth potential of the high-yielding varieties of wheat, maize and to some extent rice.

Moreover, Punjab had less pressure on land because the number of refugees settled on farmland after independence was considerably smaller than that of those who left for Pakistan. In addition to this favourable factor, the pressure on land was further reduced by the addition of 20 per cent arable land through the availability of improved irrigation in the state. This turned Punjab into the granery of northern India ; it had surpluses to export to other states while Bihar continued to be a deficit state.

The extensive road and transport system in Punjab helped in giving a push to its rate of economic growth. Both in regard to surfaced and unsurfaced roads, Punjab had a sharp lead over Bihar. In 1960-61, road density per 1000 square kilometres in Punjab was 100 as against 63 in Bihar; in 1969 Punjab had increased its road density to 240 while Bihar also had taken it to 140 but the difference between the two remained almost at 100 per cent. In regard to unsurfaced roads, Punjab had superiority over Bihar by 3:1. Consequently, density of road traffic per 1000 square kilometers both for bus traffic and goods vehicles was 100 per cent higher in Punjab than Bihar. The absence of good roads in Bihar in a way isolated the public sector industrial complexes in that state. Surely, the heavy industries did hasten economic activity in certain parts in Bihar but their impact was not felt in other parts of the state.

In regard to power generation also, Punjab held a superior position to Bihar. The installed plant capacity in 1961-62 for every million of population was almost five times in Punjab as compared to Bihar. In 1969-70 also, Punjab had a lead by 3:1. Consumption of power on per capita basis gave a lead to Punjab by 3:1. Because of easy availability of power, Punjab was able to provide cheaper electricity to consumers. In Punjab, the cost of electricity to both industry and agriculture was almost half of its cost to its counterparts in Bihar. The consumption of power in the agricultural sector in Punjab was significantly higher than in Bihar. For example, in 1969-70 Bihar consumed less than three per cent of its total consumption of electricity in the agricultural sector while Punjab consumed more than 14 per cent for agricultural activities. Thus cheaper and easier availability of power in Punjab did play a dynamic role in furthering its economic development.

The banking activity in Punjab expanded at a much faster rate than in Bihar. Every bank branch in Punjab in 1970 served about 44,000 persons while the corresponding figure for Bihar was 412,000. The per capita deposit also was much higher in Punjab than in Bihar. In 1970, the per capita deposit in every branch in Punjab was Rs 203 whereas in Bihar it was not more than Rs 41. This order of difference was witnessed for per capita deposit and credit, and also for bank advances for agricultural activities as well as small-scale industries.

The only activity in which Bihar had a very clear lead over Punjab was in mining. Surely it provided employment opportunities to a large number of persons in Bihar but this seems to have hampered its industrial expansion. Between 1962 and 1965, 206 industrial licences were issued in Bihar out of which 139 were for mining and only 67 for manufacturing. Again Bihar did have some advantages in regard to the production of steel, cement and other industrial products but the evolution of schemes of equalisation of steel and cement prices and their freight rates tended to assist the far-off states such as Punjab. It made these commodities cheaper for Punjab and costlier for such states as Bihar which under this formula failed to derive the natural advantage. The same story was repeated in regard to educational facilities. In literacy rate, average expenditure per scholar and education of backward classes, Punjab scored over Bihar. It is therefore imperative that while chalking out the industrial and agricultural plans of backward states, the infrastructure should not be neglected if full benefit is to be received from investment in the primary and secondary sectors.

Poverty in India

K. Seetharama Swami

"POVERTY IS wretchedness and unemployment is catastrophic". In the Planning Commission's recent paper on approach to the fifth Plan, the poor have been defined as those living below a basic minimum level of consumption, more exactly below Rs 20 per capita per 30 days (PCE), at 1960-61 prices or below Rs 37.2 (PCE), presumably at 1971-72 prices. At present over 220 million people are estimated to be living below this level. Earlier it was hoped that the growth of the economy as reflected by a growing per capita income would take care of the distributional aspects, but this hope has not been realised and the problem of absolute poverty has not been solved.

Poverty is both an absolute and a relative concept. Relative poverty is known to exist even in affluent societies, for example, in the USA. The greater the inequality in the level of living, the greater is the incidence of relative poverty. No less than a fifth of the population of USA still lives in conditions of poverty and if one were to apply the same criteria all but a very small percentage of the population of India would fall below the poverty line. We are here concerned with the elimination of poverty in the absolute sense, defined in objective ways in terms of a minimum necessary level of consumption.

desired minimum

In July 1962, a distinguished study group set up by the government of India recommended that a per capita annual consumption of Rs 240 at 1960-61 prices should be deemed as the nationally desirable minimum level of consumer expenditure. This has often been taken as 'poverty line' and the proportion of population below this standard of consumption has been investigated by different economists. Sometimes, the line has been drawn up or down, say at Rs 180 or Rs 200 per capita per year in 1960-61 or Rs 35 per head per month at 1960-61 prices or Rs 37 or Rs 40 per month at current prices. If one wants to see how the number or proportion of 'poor' people is changing over time, it matters little which figure is chosen.

According to Minhas, the number of people below the poverty line was rather stable, while the proportion of such people declined steadily. The calculation of Ojha shows a rise in the proportion of poor people. Dandekar and Rath estimated that in 1960-61, about 33 per cent of our rural population lived on diets inadequate even in respect of calories. Dandekar and Rath revised their rural minimum to Rs 180 per person per annum and their urban minimum to Rs 270 per person per annum; it was then found that about 40 per cent of the rural population and about 50 per cent of the urban lived below the desirable minimum. Minhas has calculated that 50.6 per cent of the people in India were having a per capita consumption of Rs 273, while Burdan showed a sharp rise over time (53 per cent) for the same period, i.e., 1967-68. According to the approach paper on the fifth Plan, two-fifths to one-half of the population of the country remains below the poverty line. The different investigations do not lead to a definite conclusion regarding the changes in the number and proportion of people below the poverty line. The absence of satisfactory consumer price indices is the main hurdle.

identification of poor

We can identify the poor in terms of land-holdings size, occupation, household size etc. One can also consider the disparities between rural and urban areas and between the different states in respect of the level of living and the proportion of poor people. Orissa is the poorest state in India, since 64.7 per cent of the people fall below the poverty line. But according to the Federation of Indian Chambers of Commerce and Industry, Uttar Pradesh and Bihar have the largest concentration of poor people in the country. These two state, together with Andhra Pradesh and Madhya Pradesh, account for about 50 per cent of the total number of the poor. According to statisticians, Kerala and Andhra Pradesh appear to be the poorest states in regard to rural as well as urban sectors.

The data available regarding the characteristics of the poor in rural India throw light on the causes of poverty and suggest policies for amelioration of poverty. There is evidence that apart from agricultural labourers, craftsmen and production process workers form the poorest occupational group in rural India. Approximately, 50 million agricultural labour and about 10 million other labour population lived below the poverty line of Rs 200 per capita per year in 1960-61 in rural India. According to Minhas, the number of people below the abject poverty line in rural India in the beginning of the fourth Plan may have been at least as large as in 1967-68 (50.6 per cent of the total population). According to him, most of the rural people belong to (a) rural labour households operating no land, (b) agricultural labour households with some land and (c) small land operators operating land holdings below five acres in size. Thus after two decades of planned economic development approximately two-fifths of the rural people are living in stark poverty. Some scholars would put this proportion to be nearer one-half rather than two-fifths. However, the number of people below the povrrty line are vast indeed.

areas of poverty

An analysis of National Sample Survey reports show that poverty exists and persists in the country chiefly among the backward classes, tribal people, landless labourers and marginal cultivators. Little is known about the characteristics of the poor in urban areas, though it is commonly observed that "the urban poor is an overflow of the rural poor". Unemployed wage earners constitute the bulk of the urban poor. Hence, any action against poverty should be concentrated in the centre of its origin (rural India) and also in the area of its overflow.

Poverty results from the complex interaction of diverse elements such as social, cultural, economic, political, psychological and ecological. Even though poverty is defined in terms of lack of essential needs of life, such as food, clothing, housing, health, education etc., it is a vicious circle. The causes of poverty are the exploitative, economic, social and political systems. Such situation arises because of the concentration of economic, social and political power in the hands of the few elite classes. An economic approach to the problems of

verty should have an integrated approa- of the theory of growth, theory of come distribution, theory of employ-ent, and theory of welfare.

However, the twin causes of poverty e, under-employment and inequality. nphasis should be on growth and equ-ity, as they "are indispensable to a ccessful attack on mass poverty". It interesting to note that whenever the owth rate is small, the major portion the gain from development goes to the ch or U sector and it should also be derstood that almost the entire end sults of growth should go to the poor L sector. Then alone can we attain owth with social justice.

conomic goals

Steadily rising living standards and eater equality of incomes are funda-ental economic goals and these twin bjectives should hereafter guide us in anning economic development in our ountry. The elimination of mass poverty ust have the highest priority in plan-ng. The first decade of planning (1951-0) achieved a growth rate of only 3.8 er cent and the second decade (1961-70) 7 per cent. Obviously, against a high te of growth of population, these rates growth in the economy could not ring about the required improvement living standards. The objective of iminating mass private poverty requir-s that, millions of people now living elow the poverty line must be enabled have access to at least the minimum rivate consumption. The Planning Com-ission feels that a lower growth rate, uring the fifth Plan, even if it be some-hat beneficial from the point of view f the balance of payments position, ould slow down the programmes for e removal of poverty which is one of e basic objectives underlying the fifth lan. After examining the alternative odels basing on overall growth rates at 5.5 and 6 per cent, the Planning Com-ission decided that growth rate of 5.5 er cent would be both desirable and asible with the requisite efforts in seve-al directions. An overall outlay of s 51,000 crores of which about Rs 5,000 crores would be in the public ector would be required.

Unemployment and underemployment re the manifestations of the problem f poverty. There were 9 to 11 million nemployed at the start of the fourth Plan ne report suggested that the incidence f unemployment may be relatively se-vere among those seeking wage employ-ment and also among the educated, especially matriculates or below. Since the cause of poverty is lack of adequate employment, employment opportunities can be provided through large scale public works programmes. The program-mes for ensuring minimum needs for peo-ple below the poverty line have been in-cluded in various sectors and the total outlay for these programmes is Rs 3300 crores during the fifth Plan. Intensive employment programmes are being dove-tailed into the sectoral plans. The Plan-ning Commission has tentatively pro-posed an outlay on 'employment intensive programmes' in the fifth Plan period at between Rs 7,000 to 8,000 crores.

The achievement of high levels of em-ployment will require increased industrial capacity. By increasing production po-tential, one can reduce underemployment since the level of employment is deter-mined by the level of production. The outlay on industry, both in the public and private sectors in the fifth Plan, are assumed at about Rs 14,000 crores and industrial production growth rate is 8 per cent. An expanded programme of employment generation will have to be supplemented by redistributing the means of production in favour of the poor. The provision of social consump-tion in the form of education, health, nutrition, communication or electricity upto a minimum standard are necessary along with the provision of employment to the poor unemployed and under-employed millions. These programmes will involve an outlay of the order of Rs 10,500 to Rs 11,500 crores during the fifth Plan.

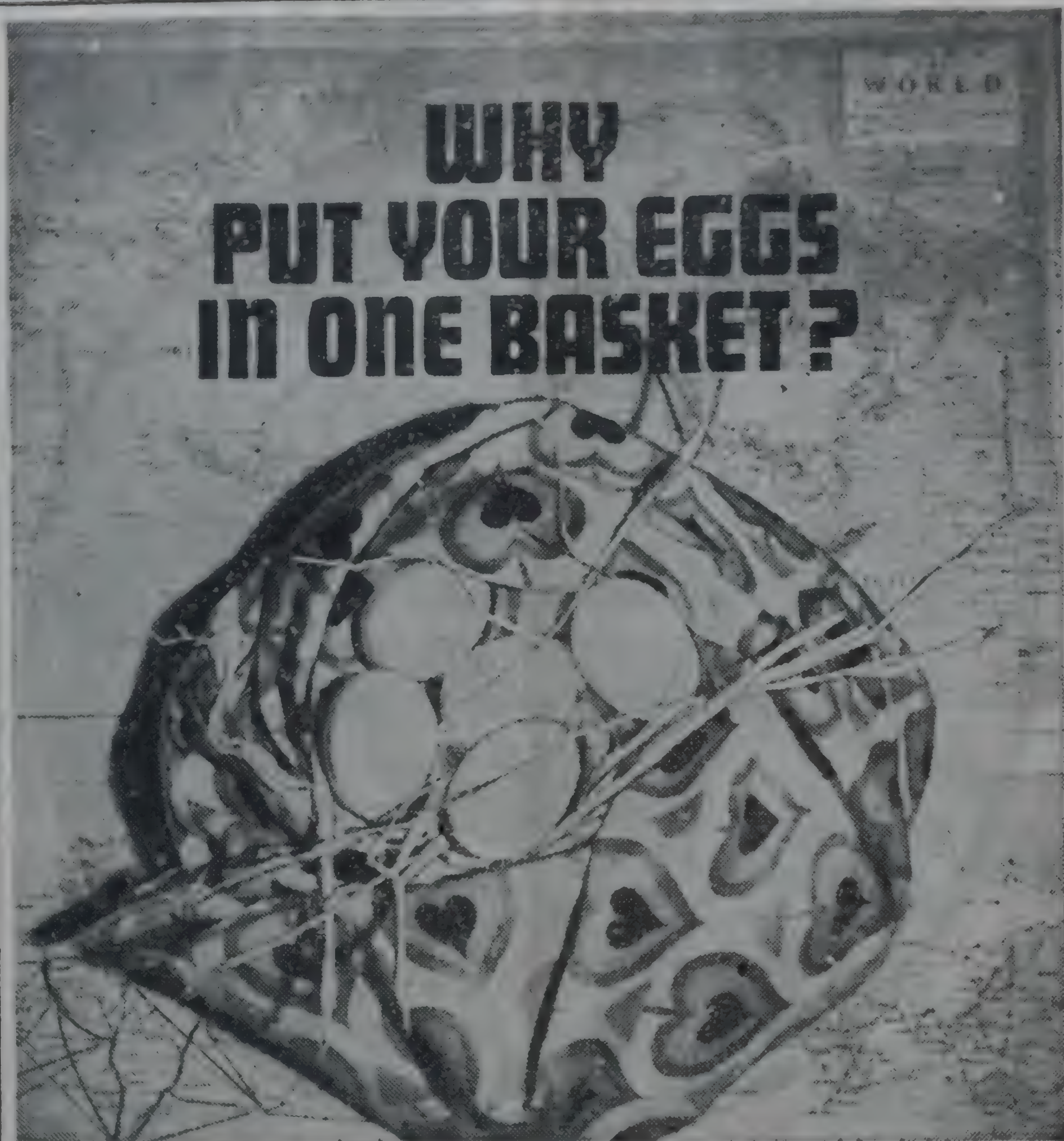
employment programmes

During the past few years a number of programmes for a better development of the weaker sections in the rural areas have been organised. These progammes were conceived to help the small farmers, marginal farmers and agricultural labour-ers, farmers in tribal area, etc. An out-lay of nearly Rs 400 crores for these pro-grammes was stipulated and these pro-grammes are spread over nearly 150 dis-tricts of the country. On a rough esti-mate about a fifth to a fourth of the identified participants would have benefit-ed from one programme or the other by the end of the fourth Plan. The Crash Scheme for Rural Employment (CSRE) was initiated to create an impact, how-ever small, on rural employment in the country as a whole. The scheme envisages to benefit about 100 persons in every block or about 1,000 persons in each district by providing employment on works which would create durable assets. The scheme is in operation in almost all the districts. In the year 1971-72, a little over Rs 32 crores were spent on this scheme and about 81 million man-days of employment are reported to have been created. The concept of SFDA and MFAL and programmes like DPAP and CSRE are innovational, but it has been reported that there is a lack of integra-tion among them.

lagging job opportunities

A workshop on unemployment orga-nised in New Delhi has reiterated how the growth of job opportunities has failed to keep pace with the number of persons entering the labour force from year to year. The reference here is mostly to job-lessness in urban areas, among rural migrants seeking factory work as well as among the educated unemployed. Prof. K.M. Dantwala recently observed that the problem of unemployment in rural areas is not serious. Accordingly, to him, the best hope of augmenting low incomes of the poor lay in higher productivity in their current activities. Another possible line of action, Dantwala says, is to create the new entrants to the labour force and impart to them training which would be undoubtedly needed for a variety of rural development programmes.

Since the job problem in the rural areas has not even been touched, there is little surprise that over 40 per cent of the total population is unable to afford any standard of consumption higher than a meagre of Rs 20 per head per month at 1960-61 prices. The Planning Com-mission is quite optimistic by stating that "the economy has reached a stage where large availability of resources makes it possible to launch a direct attack on un-employment, under-employment and po-verty, and also ensure adequate growth." But one can cite statistics from the mid-term appraisal of the fourth Plan to show how far the economy has still to go to achieve a reasonably adequate and self-sustained rate of growth. Independence has no meaning unless every individual in the country is assured economic ju-tice. Thus the greatest challenge before all of us is how to eradicate poverty and unemployment and the future of our country depends upon how we are going to meet this challenge. Will the fifth five-year Plan respond to this great chal-lenge? Let us wait and see.


WORLD
WHY PUT YOUR EGGS IN ONE BASKET?

Economics of high-yielding varieties of wheat

R. V. Singh, R. C. Verma
& N. L. Agarwal

TECHNOLOGICAL BREAK-THROUGH has been the main factor in turning many non-viable farms into viable ones. This break-through in agriculture was noticed after 1964 and became popular among the Indian farmers after 1966. The rise in production of foodgrains after 1966 was mainly due to the introduction of high-yielding dwarf and Mexican varieties. The rate of adoption of high-yielding varieties has been rapid in the country. The area under high-yielding cereal crops was 22.7 million acres in 1968-69, and it will have increased to 61.8 million acres by the end of the fourth five-year Plan i.e. 1973-74. This brings an increase of 172 per cent over the area under high-yielding varieties since 1968-69. The total output of high-yielding cereal crops increased by 11 million tonnes in 1969-70, i.e. 16 per cent over the year 1964-65 (the year of start of the programme).

negligible results

However, the findings of a joint research undertaken by the Programme Evaluation Organisation of the Planning Commission and the Australian National University reveals that high-yielding varieties programme has resulted in substantial progress in respect of wheat crop only. Results are negligible in the case of rice, hybrid millets, maize and jowar.

Rajasthan state, though handicaped by limited irrigation facilities, introduced HYV progamme in 1965, and since then the national programme is being followed quite enthusiastically. It has given break-through to agricultural production in general and wheat production in particular. Despite the fact that high-yielding dwarf varieties are relatively better in yield, disease resistant, early maturing and pay high dividends than the local tall varieties, many farmers in Rajasthan still devote substantial area to local tall varieties. It seems there are some forceful reasons, religious, social or economic, which attract farmers to cultivate local tall varieties. If this attitude of the farmers towards local tall varieties does not change early, the green revolution may face a setback.

In this article an attempt is made to study the economics of both the high-yielding and local varieties of wheat. To eliminate the effects of agro-climatic conditions and infrastructure, the study was localised in one village of Kota district. Since resources and management play significant roles in production, only such farmers were selected who had cultivated both varieties of wheat, i. e. local tall varieties and high-yielding dwarf varieties during the year 1970-71. The number of farmers studied was 10. The period of study was the year 1970-71.

The average size of operational holding of sampled farmers was 14.17 hectares. Per farm area under wheat crop alone accounted for 6.76 hectares, and out of this 45.7 per cent area was devoted to the high-yielding varieties, viz. Kalyan, S-308, Sonara, S-227. etc.

The yield, income, input requirement and net profit per hectare for high-yielding and local varieties of wheat have been compared in Table I. Total input includes all the factors taken under 'Cost C' of Farm Management Studies.

The average yield per hectare of high-yielding and local varieties of wheat were 20.82 and 11.17 qtls, respectively. The difference in yield itself was significant. The farmers received no less than 86 per cent more yield from high-yielding varities than the local vareties. Similarly, the total income accrued from HYVs was Rs 2147.16 as against Rs 1376.47 of local varieties, showing an increase in the income by 56 per cent. The income from by-product per hectare was more in local varieties than the HYV, the reason being that in HYVs, the proportion of by-product to main product was lower as compared to local varieties. Further, the local wheat fetched Rs 3 per quintal more in price than the HYVs, which obtained Rs 88. It reflected the consumer's preference to local wheat because the 'chapati' making quality of local wheat was better than the HYVs.

In spite of the fact that local varieties of wheat produced more by-product and

TABLE I

Per Hectare Returns and Input Requirement of High-Yielding and Local Varieties of Wheat

	High yielding varieties	Local varieties	Difference over local varieties
1 Yield (qtls)	20.82	11.17	+ 9.65 (86.39)
2 Total income (Rs)	2147.16	1376.47	+770.69 (55.99)
i. main products (Rs)	1832.16	1016.47	+815.69 (80.25)
ii. by-product (Rs)	315.00	360.00	− 45.00 (14.28)
3 Total input (Rs)	1354.73	967.13	+ 387.60 (40.01)
4 Net profit (Rs)	792.43	409.34	+383.09 (93.59)

(Figures in parantheses are percentages).

were priced a little higher than the HYVs, the overall net profit per hectare was recorded more in HYV than in the local varieties. The HYVs gave a profit of Rs 792.43 and the local varieties Rs 409.34 per hectare. Therefore, the farmer got Rs 383.09 more per hectare from cultivation of HYVs than from local varieties.

The cultivation of high-yielding varieties requires, basides assured irrigation, a high dose of inputs per unit of land. This, of course, could be a limiting factor. However, the total income as well as net profit not only returned the cost but left the farmer with good dividends. Figuratively, the total input used per hectare for high-yielding varieties was more by 40 per cent than the local varieties. Comparing high amount of input, the total income and the net profit accounted for 56 per cent and 94 per cent respectively more over the local varieties.

resource use efficiency

To study the efficiency of various inputs used in the production of high yielding varieties vis-a-vis local varieties of wheat, the Cobb-Douglas type production functions given below, were fitted to the logarithms of the data generated by sample farms.

$\log Y = \log a + b_1 \log X_1 + b_2 \log X_2 + b_3 \log X_3 + b_4 \log X_4$ where:

Y = Gross farm receipts in value terms.
X_1 = Area in hectares under the crop.
X_2 = Cash expenses (Rs)
X_3 = Human labour in man-days
X_4 = Bullock pair days.

In production function analysis based on cross sectional data there often exists high correlation between some of the explanatory variables leading to the problems of multicollinearity. Hence, before estimating the production function, simple correlation coefficients were worked out between the pairs of independent variables. Human labour and bullock pair days exhibited a high degree of correlation in both the crops. Hence, bullock labour was dropped from the equation. The production functions so obtained are given in Table II.

In equation for high yielding wheat, the exponents of all the variables are significant at one per cent level of significance but the exponent of human labour (X_3) is negative. In equation for local wheat the exponents of land (X_1) and human labour (X_3) are significant at one per cent level of significance, but the exponent of cash expenses (X_2) is not significant. The coefficient of multiple determination (R^2) worked out is 0.86 for both high-yielding dwarf wheat and local wheat. The equations indicating that these three explanatory variables included in the equations taken together explain 86 per cent of the variation in the gross farm receipts on the sample farms for wheat.

marginal value products

The marginal value products enable to evaluate the efficiency of various inputs used in the production of a crop. Marginal productivity of Xi, the ith input, is given by the following equation:

$$\frac{\Delta Y}{\Delta Xi} = bi\frac{Y}{Xi}$$

Where:

$\frac{\Delta Y}{\Delta Xi}$ = Marginal value product of ith input.

bi = Exponent of ith input.
Y = Estimated level of output when each input is held at its geometric mean.
Xi = Geometric mean of ith input.

TABLE II

Estimated Production Functions

(Independent Variable = log Y)

	Constant log a	Regression coefficient of X_1	X_2	X_3	R^2
High-yielding wheat	2.9312	.9680* (.0245)	.3575* (.0475)	—.8212* (.0233)	0.86
Local wheat	2.2316	.2273* (.0675)	.0799 (.0702)	.4576* (.0634)	0.86

(Figures in parentheses are standard errors).
*Significant at 1 per cent level of significance.

Table III gives marginal value proc of land, cash expenses, and human lab

TABLE III

Marginal Value Product of Inputs

	Marginal value products of inpu (Land) X_1	(Cash expenses) X_2	(Hu labo
High-yielding wheat	299.14	1.08	5
Local wheat	55.80	0.38	2

The marginal value productivity farm land is Rs 299.14 per hectare high-yielding wheat and Rs 55.80 local wheat. This implies that an incr of one hectare area under high yiel wheat will increase the farm income Rs 299.14, whereas an increase of hectare under local wheat will incr farm income only by Rs 55.80. He in Kota district where land is the n scarce resource, it is advisible the farmers to replace the area ur local wheat with the high-yielding wl to increase their farm income.

The marginal value productivity cash expenses is Rs 1.08 for high-yiel wheat and Rs 0.38 for local wheat. T indicates that farmers are applying optimum amount of capital in high-yiel wheat whereas they are using more t required capital in the production local wheat. This is probably because high-yielding wheat the farmer gener applies the recommended doses of inp whereas the local wheat is not much ponsive to the inputs like manures fertilisers.

The marginal value productivity human labour is also much higher HYV than that of local wheat, indicat that HYVs give more return to labour compared to local varieties.

The comparative economics of hi yielding varieties and local varie showed that local varieties can neit compete in yield nor in income with high-yielding varieties of wheat. The fore the farmers' attitude to put th area under local varieties may be influ ced by social and service conditio Social conditions mean the consum preference and service conditions, timely availability of inputs. By a large, the high-yielding varieties requ

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it displays !
Everyone knows that to sell garments, textiles, furnishing fabrics etc. they must be displayed well.
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assured irrigation and a high dose of fertiliser. Efforts should be made to evolve such varieties which require low irrigation and a lower doses of fertiliser. This would not only enable those farmers to cultivate HYVs who do not have sufficient irrigation facility, but the farmers who have their lands under local varieties may switch to HYVs. However imputs, viz. seed, fertilizer etc. should be made available in time. To those farmers who cannot afford the cost of input, these should be made available on th crop loan system. If the total area unde wheat is devoted to HYVs and tende properly, sizable increase can be achieve in the total production as well as in th farmer's income.

Rural unemployment in Haryana

A. C. Gangwar & M. V. George

UNEMPLOYMENT, ESPECIALLY rural unemployment, in agrarian countries such as India is a complex and multi-dimensional problem. The nature and magnitude of rural unemployment is likely to be different in different regions and agro-climatic situations. To obtain a meaningful insight into the problems, especially those relevant to policy formulation, it is necessary to identify the nature and extent of unemployment and the type of persons affected. This study makes an attempt to throw some light on the nature and pattern of unemployment among agricultural labourers and other wage earners in the rural sector of Haryana.

methodology used

Haryana state can be broadly divided into two regions on the basis of agro-climatic features and agricultural productivity. The first consist of Rohtak, Karnal and Ambala districts with suitable physio-climatic conditions, extensive irrigation facilities and a high degree of mechanisation. The second group consists of Gurgaon, Jind, Hissar and Mohindergarh districts, where irrigation is scanty and rainfall is low. To represent each region, one district namely, Karnal, from region I and Mohindergarh from region II, were purposively selected. From each of these districts, three blocks were selected at random. These were Thanesher, Rajaund and Matlanda in Karnal district and Ateli, Kanlana and Mohindergarh blocks from Mohindergarh district. A complete list of villages was prepared and fifteen villages from Karnal and twelve from Mohindergarh district were selected. From these villages, 110 households representing Karnal and 115 households representing Mohindergarh district were again selected at random for detailed study. The data regarding employment pattern were collected for the period January to June, 1972. This reference period was kept small to avoid memory bias on the part of the respondents. Tabular method of analysis was used in this study.

In attempting a diagnosis of the unemployment and underemployment problem, a number of conceptual questions must be answered, viz; what is meant by unemployment or underemployment? How is it to be measured? etc. In the prevailing conditions, unemployment and underemployment in rural areas broadly refers to persons seeking unskilled wage employment in rural areas. The period of unemployment relates to the days or hours of work in different months or seasons of the year for which a person remains without work, in spite of his offering himself for work on wages. It should be noted that the concept of unemployment relates to involuntary unemployment. It has an income connotation as of the wage locally prevailing and an output connotation as of work rendere against that wage. Voluntary unemp loyment, if sizable could be a cause or a effect of these factors.

Underemployment refers to the ga between the amount of labour time whic the labour force is able to supply and th actual amount of labour time employe In case of agriculture, three types o underemployment may be distinguishe The first type arises out of the seasona character of agricultural productio This is independent of surplus man power in agriculture and exists even whe there is shortage of labour. Anothe type of underemployment arises becaus of the fact that demand for labour i agriculture during active seasons is un evenly distributed. Harvesting and sow ing operations represent peak deman for labour. However, the work may b interrupted by heavy rainfall for a fe days. Similarly farmers and labourer have to remain idle for days waiting f the monsoon to break before they ca

TABLE I

Distribution of Sample Households and Persons by Size of Family

Size of Family	Karnal			Mohindergarh		
	No. of households	Total No. of persons	Average size of family	No. of households	Total No. of persons	Average size of family
1-3	8 (7.27)	20 (2.80)	2.50	14 (12.17)	36 (4.84)	2.57
4-6	42 (38.18)	204 (28.57)	4.86	55 (47.83)	275 (36.96)	5.00
7-9	43 (39.10)	308 (43.14)	7.18	29 (25.22)	237 (31.85)	8.17
10 & above	17 (15.45)	182 (25.49)	10.70	17 (14.78)	196 (26.35)	11.53
Total	110	714	6.50	115	74.4	6.46

Figures in parentheses show percentage to total.

art sowing operations. Thus some nderemployment is bound to exist even uring the peak agricultural seasons. nally there could be some underemp-yment even during the busiest time of e year, namely during harvesting ope-ons. It is only this type of under-mployment which represents surplus anpower in agriculture. In an acute rm this constitutes a component of un-mployment.

The household data of Karnal and ohindergarh districts were compiled on e basis of the size of the family and e distribution is as given in Table I age 159).

There was no significant difference tween the two districts with respect to e average size of the family. It was 50 and 6.46 persons in the districts of arnal and Mohindergarh, respectively. owever the number of households with aller size families was relatively more Mohindergarh district. Whereas milies with less than 6 members consti-ted 60 per cent of the households in ohindergarh district, the correspond-g percentage was 45 in Karnal district.

With respect to income distribution e two districts showed significant varia-on. Table II presents the distribution sample households according to the come they received during the six onths prior to the date of enquiry anuary-June 1972).

It is seen that nearly 49 per cent of ouseholds in Karnal and 56 per cent Mohindergarh district were having come in the range of Rs 501-1000 which was the model group in the sample. However households with income less than Rs 500 constituted nearly one per cent in Karnal as against 23 per cent in Mohindergarh district, showing wide disparity as between the two districts. Similarly households having income more than Rs 2000 constituted 4.6 per cent of the total number in Karnal, whereas there was none in this category in Mohindergarh district. This shows that the vast majority of the rural households in these districts live below the poverty line, more so in Mohindergarh district.

The low income problem in the rural areas is directly related to the employ-ment problem. Table III, presents the distribution of the sample population according to their activity status.

It is significant to note that nearly 51 per cent of the total population in Karnal and 53 per cent in Mohindergarh district were not in the labour force indicating a

TABLE II

Distribution of Households by Income

come of the ousehold in st 6 months Rs)	Karnal	Mohindergarh
250	—	2 (1.74)
51-500	1 (0.90)	25 (21.74)
01-1000	54 (49.09)	65 (56.52)
001-1500	40 (36.37)	16 (13.91)
501-2000	10 (9.09)	7 (16.09)
Total	110	115

Figures in parentheses show percent-ge of the total.

TABLE III

Distribution of Sample Population According to Activity Status

Activity/District	Karnal			Mohindergarh		
	Unskilled	Skilled	Total	Unskilled	Skilled	Total.
A. Workers						
(i) Wage paid	308	0	308 (43.13)	280	1	281 (37.77).
(ii) Salaried	5	0	5 (0.70)	1	0	1 (0.13)
(iii) Self-employed including cultivation	5	3	8 (1.13)	23	5	28 (3.76)
B. Not at work for want of work	24	0	24 (3.36)	36	0	36 (4.84)
C. Not at work but with job	7	0	7 (0.98)	2	0	2 (0.27).
Sub-total	349	3	352 (49.30)	342	6	348 (46.77)
D. Not in labour force	362	0	362 (50.70)	396	0	396 (53.23)
All	711	3	714 (100.00)	738	6	744 (100.00)

Figures in parentheses show percentage to total.

TABLE IV.

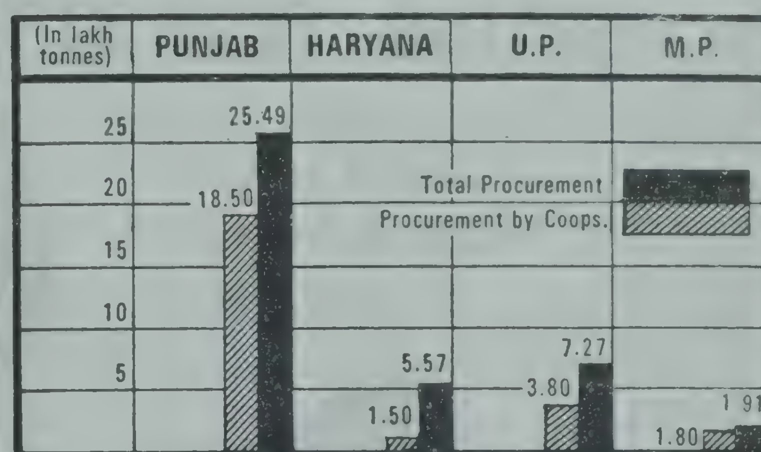
Distribution of Casual Workers by Sex and Employment

Number of days employed	Karnal			Mohindergarh		
	Male	Female	Total	Male	Female	Total
0-30	—	—	—	28	42	70 (24.82).
31-60	5	10	55 (5.98)	50	51	101 (35.81).
61-90	24	50	74 (29.48)	44	23	67 (23.76)
91-120	62	41	103 (41.04)	17	16	33 (11.70)
121-150	42	3	45 (17.92)	11	—	11 (3.91)
151-181	14	—	14 (5.58)	—	—	—
Total	147 (59)	104 (41)	251 (100)	150 (53)	132 (47)	282 (100)

Figures in parentheses show percentage to total.

COOPERATIVES Lead in WHEAT PROCUREMENT

The cooperatives have turned out as the major procuring agency in the present state take over of whole-sale wheat trade. Out of total procurement of 42 lakh tonnes of wheat till July 10, 1973, the cooperatives procured about 27 lakh tonnes of wheat accounting for a massive 63%. The following chart will highlight the performance of cooperatives in the 4 major wheat producing states



Cooperatives have also shown an impressive progress in marketing agricultural produce over the decade as will be evident from the following figures :—

in Crores

	Foodgrain	Sugarcane	Other crops	Total
1960-61	22	91	66	179
1965-66	137	147	76	360
1971-72	429	248	167	844

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high dependence ratio for those who are employed. Among the workers, nearly 88 per cent in Karnal and 73 per cent in Mohindergarh district were engaged in wage paid employment. Self employed persons constituted only 1.3 per cent of the sample population in Karnal and 3.76 per cent in the other district. The reported number of unemployed persons constituted 3.36 per cent and 4.84 per cent in the above two districts.

The wage paid workers in the rural areas consist mostly of casual agricultural labourers and as such their employment is seasonal in nature. A large percentage of these labourers remain either underemployed or unemployed during certain periods in the year. Table IV (page 160) presents the distribution of casual agricultural workers by the number of days worked during the reference period of six months.

Out of the sample of 714 persons in Karnal district 251 were casual agricultural workers and in Mohindergarh district their number was 284 out of the total sample of 744 persons. Among the casual agricultural workers the number of males exceeded that of females in Karnal district by a large margin whereas the position was different in Mohindergarh district. In the former, male labour constituted 59 per cent and female labour 41 per cent of the labour force whereas in the latter, the corresponding percentages were 53 per cent and 47 per cent respectively. This was probably due to the differences in the ethnic and cultural background of the working class in these two districts, as there was a large population of immigrants among the agricultural workers in Mohindergarh district.

Further, it is significant to note that 76 per cent of the casual agricultural labourers in Karnal district were employed for less than 120 days during the period of six months under reference. The situation was still worse in Mohindergarh district, where 96 per cent of the casual agricultural labourers were employed for less than 120 days during this period. Similarly casual labourers employed between 120 and 150 days during the six-months period was 27.72 per cent in Karnal and as low as 3.91 per cent in Mohindergarh district. Only six per cent of the casual agricultural labourers in Karnal district were employed between 151 and 180 days, whereas none among the selected labourers in the other district got employment for more than 150 days. This clearly indicates that employment opportunities for agricultural labourers were limited in both places. much more so in Mohindergarh district. The latter is mainly due to the dryland agriculture prevailing in that district. Further, it was noted that majority of the casual agricultural labourers was willing to do extra work if available, at wages even slightly lower than the prevailing wages. This reflects the intensity of unemployment among them and their acute need for additional income and low opportunity cost.

Certain conclusions emerge from the above analysis. In the first place, the rate of employment of casual agricultural labourers showed significant variation as between seasons and regions. Such inter-seasonal and inter-regional variations in the intensity of under-employment calls for season-wise and area-wise planning for additional employment.

In addition to the high level of underemployment among the agricultural labourers. the totally unemployed persons cor tituted nearly seven per cent and 10 p cent of the labour force in Karnal a Mohindergarh districts, respectivel However it is significant to note that no of the skilled workers were found amor the category of unemployed of underen ployed. This suggests the need for a propriate training in skills among t agricultural labourers as a part of t long range employment programme.

In the final analysis, the rural emp loyment problem is essentially an incom problem. For nearly 50 per cent of t sample households, the six month's averag income was less than Rs 1000 or a pe capita income of Rs 154. No wonde households were steeped in debt, borrov ing at exhorbitant rates of interest mostl to meet their consumption needs. Henc an income policy, besides an employmer policy, is called for, especially where th average earnings of the worker is belo the poverty line. What is needed, there fore, are devices to raise and stabilis family income through improved earning and self-employment opportunities.

Global economic growth in 1972

New York

OVERALL WORLD production grew by .5 per cent in 1972 compared with a .1 per cent increase in the previous ear, according to the World Economic urvey 1972, published by the United ations. The expansion was led by a oost of 6.6 per cent in world industrial utput, but global agricultural produc-ion actually declined by 0.8 per cent.

Describing the world economic situa-ion as presenting "a picture of unusual ontrasts", the Survey adds that the up-urge in world production is expected o continue at least through 1973. It ites unemployment, inflation and conti-uing uncertainty about international nonetary arrangements as the major roblems facing industrialised econo-nies.

The Survey, the twenty-fourth in a

WINDOW ON THE WORLD

eries of annual reviews of trends in the vorld economy based on data available o the Secretariat in March 1973, also tates that a third of the developing ountries exceeds the six per cent growth arget set for the Second United Nations Development Decade, while in a fifth the rowth of production failed to keep ace with the growth in population

Among other facts in the Survey:

International trade expanded with great vigour in 1972 and seems likely to continue upward in 1973 The developed market economies and the centrally planned econo-mies boosted export volume by nine per cent;

Exports from the developing coun-tries expanded by about 16 per cent in current United States dollars, and by four to five per cent in volume;

Industrial production increased strongly almost everywhere, avera-ging between six and seven per cent growth in the three country groups; and

While the world's factories had a good year, agricultural performan-ce was extremely erratic, varying from region to region and recording an overall decline of 0.8 per cent compared with 1971. Farm pro-duction dropped 1.6 per cent in developing countries and 4.6 per cent in the Soviet Union—more than offsetting a 7.1 per cent gain in eastern Europe and a 0.7 per cent increase in the deve-loped market economies.

Commenting on the three country groupings, the Survey notes that:

Developed market economies of Europe, North America and Japan continued their recovery in 1972, averaging a 5.6 per cent growth rate, the highest since 1968;

The agricultural setback in the So-viet Union, which necessitated large grain imports, lowered overall growth to a below-plan 4.0 per cent; In the centrally planned economies of eastern Europe there was a 7.3 per cent gain in national income: this was above both planned grow-th and the longer term trend: and developing countries, as a group, recorded a growth rate of 5.4 per cent in 1972, but individual perfor-mances varied widely. About a third of developing nations exceeded the Second Development Decade over-all growth target of six per cent, and only a fifth achieved the agri-cultural goal of four per cent.

The current Survey is divided into four chapters. The first presents an overview of world production and trade. The other three examine the salient fea-tures of the current economic situation relating to the supply and use of resour-ces and the state of internal and external balance in the developed market econo-mies, the centrally planned economies and the developing countries.

The Survey, which this year is inten-ded to complement documents prepared for the first biennial appraisal of the In-ternational Development Strategy for the Second United Nations Development Decade, was prepared by the Centre for Development Planning, Projections and Policies of the Department of Econo-mic and Social Affairs.

favourable trends

On the basis of 1972 trends and preliminary figures for 1973, the Survey suggests that the rapid growth in pro-duction and trade will continue in the period immediately ahead. "Most of the developed market economies were still operating at less than full capacity at the end of 1972 and official policy, though alerted to risk of an acceleration in the rise in prices, remained generally expansionary," the Survey continues.

"Perhaps the biggest question hang-ing over the economic scene concerns the method of dealing with price infla-tion," the Survey says. "This will almost certainly persist and may indeed become more acute." It adds that the risk re-mains that "in the effort to cope with inflation, governments may resort to more general monetary curbs or fiscal action that will slow down the growth in production if not in 1973 then in 1974."

The second major unresolved ques-tion is the reconstitution of an interna-

nal monetary system. "This question pears somewhat less urgent than it did year ago," the Survey says, "satisfacy increases in preoduction and trade ving been achieved despite the curren- upheavals of 1972." It is clear that ders, who have been among the strong- advocates of an international monery system based on fixed exchange tes between currencies, have been able surmount the difficulties posed by e ending of dollar convertibility.

Commenting on recent international eetings on monetary reform, the Sury states: "While opinion appears to be nverging in several areas—the desiraility of stable but adjustable exchange tes, for example, the need for action surplus as well as deficit countries, e increasing use of Special Drawing ights (SDRs) as a major reserve asset d the need for the International Motary Fund (IMF) surveillance of exange rate policies—there are still wide fferences on other matters."

Among these unsolved problems the rvey cites the controversy over the exnt to which various possible trade easures should be linked with the conol of capital movements. There is agreeent, however, that defensive trade pocies should not be invoked against eveloping countries. A further major roblem to be resolved is how to preent the movement of short term funds om disrupting the exchange rate exus. Described by the Survey as "the ost urgent" of the many monetary uestions, reducing the risk of speculave movements will depend on immoilising the enormous overhang of nonesident dollars and curbing the United tates deficit.

ependence on weather

The outlook for developing counies for 1973-74, the Survey says, depens even more than usual on the weather nd on the response of farmers. Of the 2 reports received by the Food and griculture Organization (FAO) in Deember 1972, under the "early warning ystem" of the food situation, threeourths indicated poor harvests or unertain crop conditions and more than alf indicated actual shortage of food. While exports and export prices are ikely to be well maintained in 1973, import prices—strongly influenced by the nflation that still characterises most of he more advanced economies—are also ikely to continue to rise. Movements in he terms of trade will doubtless differ s much as usual from country to ountry. For the developing countries as whole, however, prospects seem faourable: in the last quarter of 1972, the import price indices of minerals were an eighth above the corresponding 1971 level and those of agricultural products were a fifth higher, and market prices were still rising rapidly.

The recovery that began in the United States in 1971 continued throughout 1972, gathering strength not only in North America but also in western Europe and Japan. As a result, the year-to-year growth in the developed market economies as a group—at 5.6 per cent (compared with 3.3 per cent in 1971)—was well above the long-term average and was the highest since 1968. While the main impulse came from the United States, where gross production in 1972 was 6.4 per cent above the 1971 level, Japan and most of the countries of western Europe regained much of the buoyancy that had been lost in 1971. Outside of North America, however, only a few of the smaller countries around the European periphery achieved a 1972 expansion above their longer run growth rate.

price rises

Despite the persistence of unsatisfactory levels of unemployment, inflationary forces remained troublesome in virtually all the developed market economies in 1972. Price rises were well above long-term averages; in western Europe in the last quarter of 1972 the combined index of consumer prices was almost seven per cent above its corresponding 1971 level. The coexistence of unemployment and inflation to this degree is a recent phenomenon, the Survey notes, and most countries have been seeking the appropriate mix of policies to deal simultaneously with these two opposite problems. "Though no definitive solution is in sight," the Survey says, "the need for some permanent means of ensuring the equitable distribution of increments to the national income is now widely recognised."

Commenting on the international monetary situation, the Survey says that "the realignment of currencies arranged in December 1971 at the Smithsonian meetings provided only temporary relief". 1972 brought a further increase in the current account deficit of the United States and in the volume of funds capable of being moved across the exchanges for defensive or speculative motives. This culminated in February-March 1973 in another major readjustment of exchange rates.

Industrial output for the developed market economy group rose 6.4 per cent in 1972, compared with 1.7 per cent in 1971, with agriculture recording a small 0.7 per cent increase, compared with a 5.7 per cent boost the previous year.

Among the countries recording a growth of seven per cent or more in gross domestic product (GDP) or gross national product (GNP) in 1972 were: Spain (7 per cent), Turkey (7), Iceland (7.3), Portugal (7.5), Cyprus (7.5), Greece (8.5), Malta (9.0), and Japan (9.2). Nations recording a growth rate of 3 per cent or less were: Italy (3 per cent), Luxembourg (3), Federal Republic of Germany (2.8), Ireland (2.8), New Zealand (2.5), United Kingdom (2.5) and Sweden (2.1).

regional trends

Preliminary figures suggest that while agricultural production declined in the developing market economies, there was a "vigorous expansion" in most other sectors which sustained the overall growth rate of 5.4 per cent for the group in 1972, up from 5.2 per cent the previous year. Commenting on regional growth trends, the Survey says preliminary data indicate that the expansion of production again exceeded 10 per cent in west Asia and six per cent in the developing countries of the western hemisphere, while in southern and southeastern Asia there was another year of below trend growth. In Africa, thanks largely to the strengthening of demand for export products, production recovered to near the longer term trend after a sharp decline in 1971.

About a third of the developing countries increased production in excess of the six per cent designated as an overall target for the 1970's in the International Development Strategy. At the other end of the scale, half the countries failed to reach the five per cent growth rate that had been set as the average target for the 1960's. In about a fifth of the nations—a group that includes India and accounts for some 40 per cent of the developing world's population—total production increase lagged behind population growth, resulting in a decline in per capita income.

The Survey notes that the upsurge of demand in the more advanced countries raised imports from the developing countries not only of manufactured goods but also of primary products. This was reflected in the prices of most commodities, and in most developing countries the export sector became the main stimulus of growth. There was a generally favourable movement in the terms of trade for developing countries, though in most cases a small one, import prices having risen sharply too.

In the agricultural sector, the yea was disappointing for the developin

world. Altogether, farm output declined by 1.6 per cent with only a fifth of developing countries reaching the four per cent increase target set for the Second Development Decade. Some of the most favourable agricultural results were reported from west Asia and around the Mediterranean littoral. Some of the poorest harvests came in the central American and Caribbean region, from the band of countries skirting the southern edge of the Sahara and from southern Asia. The Survey notes: "The disappointing performance in southern and south-eastern Asia is, indeed, the source of the most serious concern: it is a threat to a great concentration of population, and it has occurred in the area where the "green revolution" was furthest advanced and at a time when poor crops in parts of China and the Soviet Union have placed a considerable strain on world food reserves and the capacity to move large tonnages over long distances."

centrally planned economies

The centrally planned economies of eastern Europe and the Soviet Union in 1972, according to the Survey, recorded a group increase in national income of 4.9 per cent, compared with a planned 6.3 per cent and a 6.0 per cent gain in 1971. The severe crop setback in USSR caused by unfavourable weather, was largely responsible for this disappointing group performance. The Soviet Union had planned for a 6.2 per cent increase in overall production in 1972, but only achieved 4.0 per cent, compared with 5.6 per cent in 1971. The eastern European countries did much better, gaining 7.3 per cent in the year, compared with the planned 6.6 per cent and a 7.3 per cent performance in 1971. Czechoslovakia, the German Democratic Republic and Poland accelerated their growth rate compared with 1971, Bulgaria recorded a similar increase to the previous year, and in Hungary and Romania, where 1971 figures had reflected the recovery from the agricultural setback in 1970, national income growth decelerated by a few percentage points.

Compared with 1971 industrial output for the group increased 7.0 per cent, while agriculture declined by 0.8 per cent. In the Soviet Union alone, industrial production grew 6.5 per cent, while agriculture declined by 4.6 per cent. The eastern European nations recorded an average 8.2 per cent rise in industry while farm output increased 7.1 per cent.

Commenting on the Soviet Union's crop failure, the Survey says output suffered from the impact of a "once in a century" combination of unfavourable climatic conditions, in which a cold and snowless winter was succeeded by an unprecedented drought in a considerable part of the country. Production in the crop sector seems to have dropped eight per cent, compared with 1971, with grain output totalling 168 million tons, somewhat above the 1966-1970 average but about 13 million tons below 1971. To meet consumer needs and fodder quotas for the maintenance of animal herds, some 20 million tons of grain were purchased in foreign markets, according to the Survey.

The foreign trade of the group expanded at an exceptionally rapid pace in 1972. Measured in current dollars, the value of exports of the group increased by 18.3 per cent and that of imports by 22.8 per cent, the Survey reports. In the Soviet Union, the large-scale grain purchases are reflected in a 28.6 per cent import expansion, while export growth lagged behind the long run trend. In the east European countries, the export performance was especially strong, with a growth rate exceeding past performance and that of imports. The commodity trade balances of the group show a mixed picture, with surpluses in most of the east European countries more than offset by large deficits in the Soviet Union and Poland. The group appears to have incurred a net deficit with developed market economies of close to two billion dollars.

slow progress

The growth in production "slowed down considerably" in the Centrally Planned Economies of Asia in 1972, the Survey says. Basing its estimates on the "very scanty information available", it says that North Korea sustained a high rate of economic development but China and Mongolia suffered agricultural setbacks in key commodities.

As far as China is concerned, the Survey says that the lack of official statistical information makes the appraisal of this country's economic performance rather difficult. Drawing on official sources, it says that grain production in 1972 declined by 2.5 per cent, from 246 to 240 million tons, reflecting a very severe drought in some areas and flooding in others. Most industrial crops (such as hemp, silk, sugar and tobacco) recorded increases in the 10 to 40 per cent range in 1972, but cotton output was down slightly compared with 1971. These data suggest, the Survey says, "that agricultural production decreased somewhat in comparison with 1971".

Noting that no official data on Chinese industrial production or net material product are available, the Survey cites a range of industrial results, including: steel production up 9.5 per cent to 23 million tons; rolled steel output boosted 10 per cent and pig iron 12 per cent; output of nitrogenous fertilizers increased 23.4 per cent and phosphate fertilizers 10.9 per cent; crude oil output rose ... per cent to reach nearly 30 million tons while processed crude oil production rose five per cent. The textile and clothing industry overfulfilled its plan targets.

chinese growth

The Survey adds that to judge by partial figures for the year, China's trade seems to have accelerated following the slowdown in 1971. It places the increase at 6 to 8 per cent, with especially high rates of growth in Chinese exports to developed market economies (estimated by British sources to be about 50 per cent over 1971). This should have eliminated the trade deficit with these countries or perhaps even brought a small surplus. China's trade with Japan, its main trading partner, rose from $0.... billion in 1971 to almost $1.1 billion. Trade with the Soviet Union almost doubled in 1972, and there was also a considerable increase in trade with other centrally planned economies compared with 1971. China-United States trade, starting from almost nil, showed a manyfold increase.

In Mongolia, the Survey says, national income increased by 3.5 per cent in 1972, but output was held down by poor agricultural performance. Industrial production rose 11.4 per cent, compared with 8.1 per cent the previous year, but per capita income rose only 2.8 per cent and retail trade turnover 2.1 per cent (compared with 7.4 per cent in 1971). Mongolian exports rose 12 per cent and imports almost six per cent.

Courtesy : UN Centre for Economic and Social Information.

TRADE WINDS

Revision of Tariff Value

THE UNION government has decided to revise the current tariff values for plywood and boards, refrigerators, water coolers and air-conditioners and processed woollen fabrics, with effect from July 21. Simultaneously, certain reliefs by way of reduction in the effective rates of basic and additional duties of excise have been provided for processed woollen fabrics produced by factories other than composite mills.

Indo-Soviet Collaboration

A delegation headed by Mr Mantosh Sondhi, Secretary, Ministry of Heavy Industry, left for USSR recently at the invitation of the Soviet government to discuss in detail the future programme of collaboration between Soviet-aided plants and their counterparts in the Soviet Union. The discussions will cover the programmes of supply of equipment as well as cooperation in erection and commissioning of Bokaro Steel Limited, supply of matching components for the Heavy Machine Building Plant of Heavy Engineering Corporation and Mining and Allied Machinery Corporation besides the development programmes of BHEL at Hardwar. The discussions which are expected to be wide ranging will cover all techno-economic aspects of collaboration in areas of heavy industry between the two countries. The discussions will also be held on question of participation of organisations of the two countries in setting up steel and other metallurgical plants in third countries. Mr Mantosh will be assisted in the discussions on the Indian side by Messrs M.M. Luther, K.C. Khanna and D.R.R. Shastri.

Indo-Burma Talks

A 15-member Burmese Technical and Scientific Delegation led by Dr Nyi Nyi, Deputy Minister of Education, Visited this country to study various industrial development projects and scientific laboratories in the country. In New Delhi the delegation began preliminary discussions with the representatives of various ministries. The Indian delegation was led by Mr Z.R. Ansari, deputy minister of Industrial Development. The visit of the Burmese delegation will help in identifying areas of cooperation between the two countries in the field of science and technology. The Burmese delegation consisted of senior government officials and experts in the fields of agriculture, irrigation, power, mines, metals, health, petroleum and chemicals will return home on August 5, after visiting various science laboratories in India.

Civil Aviation Reorganisation

Dr Karan Singh, union minister for Civil Aviation and Tourism, announced on July 20, the creation of a three man committee, headed by Air India's Chairman, Mr J.R.D. Tata, to review the entire organisational structure and functions of the Civil Aviation Department. Indian Airlines' Chairman and Managing Director-designate, Air Chief Marshal P.C. Lal, and the Civil Aviation and Tourism Ministry's Secretary, Mr N. Sahgal, will be the other two members of the Committee. Dr Karan Singh informed the Parliamentary Consultative Committee that the three member task force will formulate proposals for reorganisation of the Civil Aviation Department in the light of the rapidly growing requirements of modern aviation. Their report would be available by the end of October,

Assistance from Canada

Canada has offered $ 15million aid to enable this country to buy rapeseed and rapeseed products. The Canadian high Commissioner, Mr B.M. Williams, intimated the Finance Secretary, Mr M.G. Kaul, of the aid offer. The aid will be in the form of an outright grant a[nd] the counterpart fund accru[ing] from the imported rapese[ed] and rapeseed products will [be] placed at the disposal of t[he] government of India. An o[f]ficial team is going to Cana[da] by the end of this month [to] buy, on an urgent basis, rap[e]seed and rapeseed oil. [It] will try to secure 70,000 tonn[es] of edible oil. The total dema[nd] in the country has been es[ti]mated at 200,000 tonnes a[nd] the STC has already contra[c]ted for 130,000 tonnes. Arra[n]gements have been made [to] ensure that Canadian oil re[a]ches this country before the e[nd] of November.

Potash and other fertilize[rs] needed for India's green rev[o]lution will also be suppli[ed] under a new $ 50 million lo[an] agreement announced recent[ly] by the Canadian Internation[al] Development Agency. The tw[o] year commodity agreement the second of its kind, large[st] in the Canadian aid programm[e] signed between the two cou[n]tries. A similar agreement w[as] concluded in 1971. The CID[A] annoucement stated that a[l]though drought will hurt pr[o]duction this year substanti[al] amounts of fertilizers are nee[d]ed to achieve full potential [of] the new seeds.

Private Sector for Capacity Relaxation

Leaders of the private in[]dustry on July 10 made it clea[r] to the government that inflatio[n]

Eastern Economist 30 Years Ago

JULY 23, 1943

One of the most hopeful and gratifying signs of the times is the realization by the United States that the stability of international eoconomic conditions depends upon the reduction in her tariffs. The success of the British and U.S. currency plans depends in the last resort upon the securing and maintenance of international trade equilibrium. Temporary credits which will be made available to countries that are in deficit on current account will enable them to tide over a short period of disequilibrium. But no arrangement will be proof against recurrent or chronic deficits for which there is only one effective remedy and that is the restoration of a right balance of payments. Responsibility for securing this balance rests, of course, in the first instance, on the deficit countries which should take effective measures to increase their exports and reduce imports through their levels of internal costs and prices. But by themselves they may not be able to achieve the desired end; reduction in imports of raw materials essential for export industries cannot be brought about except at too high a cost. An increase in exports essential for equilibrium cannot be brought about unless countries with surplus balances are prepared in the last resort to buy the exports of other countries. Thus the responsibility of creditor countries for maintaining trade equilibrium is as great as, if not greater than, that of deficit countries.

could be checked only by increased production which, in turn, called for freedom to expand and produce. They were participating in a conference convenced by Heavy Industry Minister, Mr T.A. Pai, to discuss the problems of the private sector industries. Over 20 chief executives took part in the discussion. Mr Pai acknowledged that being the biggest consumer, the Government will have to resist price rise if the country's economic development was not to be jeopardised. He also agreed that both the public and the private sectors had to step up production to counter price rise. Under utilisation of capacity he added, was not confined to the private sector alone. The public sector was as much afflicted by this sickness.

Mr B.M. Birla pointed out that Hindustan Motors was now producing 2,500 cars a month which was its capacity. The trucks division had some difficulty in attaining capacity because of the problem with the foundry. The earth movers unit in Madras had also gone into production and its performance would have been better but for the power cut, Mr Birla was, however, concerned about the pricing policy of the government. The automobile industry was being squeezed from all directions—suppliers of raw materials, labour, power and ancillary industries. The bills under all these heads were going up. In such a situation he saw no logic in the government's policy of controlling only the end products. If this policy continued, there was no future for the automobile industry. Mr S. Ranganathan of Ashok Leyland and Mr Jayand H. Shah of Bajaj Auto referred to some of the difficulties of utilising existing capacity. For instance, tyres were in acute shortage but the automobile industry had no voice either with the government or with the tyre manufacturers in respect of tyre production.

Letters of Intent to be Expedited

The union Government will soon introduce a new system for approval of private investment such as issue of letters of intent, clearance of foreign collaborations and capital goods imports in such a way that each of these clearances is available to the entrepreneur in 90 days. This was indicated by the Industrial Development Minister, Mr C. Subramaniam, while addressing the annual meeting of the Engineering Export Promotion Council recently. He, however, added a rider that the 90 days target should be possible "unless there are special complexities and problems". Mr Subramaniam also spoke of the importance of design engineering for engineering industries. The government, he said, recognised that it was better to import know how than complete equipment.

UK Bank Rate

The Bank of England, Britain's central bank, raised its minimum lending rate (bank rate) by one-and-a-half per cent to 9 per cent on July 20.

Holland Bank Rate up

Holland raised the ban rate to six per cent from fi per cent from July 18, t Central Bank announced o July 17.

Further Yarn Decontr

The union government h decontrolled the prices ar production of yarn upto 3 counts. An announcement this effect was made by Pro D.P. Chattopadhyaya, unio Commerce Minister. Contr had been imposed in a situ tion secarcity only to ease it.

More Ships

The Indian shipping com panies have placed orders f 87 ships totalling nearly 2 million grt. Of these, t order for 23 ships has bee placed by the private secto When those ships are receive the country will have a fleet 348 merchant ships with gross registered tonnage 4.83 million. The emphasis now on acquiring large ships 100,000 tonnes and abov The Shipping Corporati

one has placed orders for 10 ... rge vessels of 100,000 dwt ... nd above.

HMT Exports

Hindustan Machine Tools ...ll soon set up an interna...onal export organisation to ...ver the machine tool export ...ot only of HMT but other ...xporters as well. This was ...nounced by Mr T.A. Pai ...linister for Heavy Industries. ...r S.M. Patil Chairman, HMT ...as given recently the Engi...eering Export Promotion ...ouncil's awards for ex...orts for 1971-72. HMT's ...xports in 1971-72 amounted ... Rs 1.17 crores, which is ...bout 40 per cent of India's ...otal shipment of machine ...ools. In 1972-73 HMT achie...ed an estimated export sales ...urnover of Rs 1.50 crores ...ginst Rs 3 crores for the whole ...ountry.

...ute Price Parity

India and Bangladesh ...ave come to an understanding ...ot to undercut each other in ...e fixation of jute prices, according to Prof D.P. Chattopadhyaya, union Commerce Minister. The union government had advised the Jute Corporation of India to maintain an average procurement price of Rs 175.68 per quintal or about Rs 59.00 per maund f.o.r. Calcutta, almost on parity with the Bangladesh price, keeping in view the understanding reached with Bangladesh and the Jute growers' interest. Prof Chattopadhyaya told newsmen in Calcutta on July 18 that the Jute Corporation of India would be procuring 1.2 million to 1.5 million bales of Jute during the 1973-74 season with a view to supporting the market, so that prices might not crash following the bumper crop of 7.5 million bales. The Indian Jute Mills Association had agreed to take away from the market one millon bales for buffer stocking. Although Bangladesh was reluctant in fixing the jute prices at Rs 130 per quintal or Rs 50 per maund ultimately if agreed to do so taking a long term view, as it would be beneficial to both the countries, the minister said. Besides, this would stop smuggling of jute between the two countries.

Singapore Fair

There has been a steady flow of business in the Indian Exhibition at Singapore. Hindustan Machine Tools have sold both the machines exhibited at the Fair and have booked an order of the value of Rs 2 lakhs. The Machine Tools Corporation have also sold both their machines and have received a number of enquiries. Another Indian participant has booked orders for electrical items of the value of Rs 60,000 with one party, Rs 11 lakhs with another and an order of 5 tons (US $12,650) per month with a third party. This marks a significant break through in the region. One of the Indian parties has booked orders worth Rs 20 lakhs for supply of electronic and watch components. Another machine manufacturing unit has booked orders worth Rs 10 lakhs. A deal for US $60,000 has also been finalised with the government of Singapore Tele-communications Department for the supply of Telex and other paper goods. The main slant of this Exhibition was on engineering and electronic goods. They occupy nearly 60 per cent of the Exhibition space. A large number of the participants have succeeded in finding new outlets for their products.

Milan Trade Fair

Nearly Rs 32.5 lakhs worth of orders were booked in the Indian pavilion at Milan International Trade Fair, 1973. Retail sales concluded at the Pavilion were of the value of Rs 2.35 lakhs. Readymade garments constitute the major item for which orders have been booked for the value of Rs 25 lakhs. Other items for which orders were booked are brassware (Rs 5 lakhs), silver-ware (Rs 1.5 lakhs) and costume jewellery (Rs 1 lakh). In addition to the above business conducted in the Indian pavilion, 61 trade enquiries

ere received—7 for heavy en-
ineering goods, 16 for light
ngineering goods, 9 for tex-
les and yarn, 4 for hardware
nd sanitary fittings, 6 for
hemicals and pharmaceuti-
als, 2 for processed foods,
tc. The trade enquiries recei-
ed were from importers for
ulk imports and originated
rom West Germany, Argen-
na, Peru, Italy, Spain,
reece, Sudan, Syria, Saudi
rabia, Morocco and Somali.

xports of Handicrafts

Mr A.C. George, union Deputy Minister for Commerce, hile inaugurating the meeting f the All India Handicrafts oard recently stated that exorts from handicrafts sector creased significanty to over s 100 crores annually as gainst a nominal Rs.20 crores decade back. The export om this sector are to be increased to Rs200 crores durng the fifth Plan. For this, arious incentive measures to oost export are being taken by the Government. The nion Minister hoped that e Task Force on Handicrafts would go a long way in creasing production and xport of handicrafts. Mr eorge felt that while there as been considerable improement in domestic sales and xports of handicrafts, there as not been corresponding nprovement in the wages and orking conditions of the arsans. But this was absolutely ecessary not only as a social elfare measure but as an imortant economic step for ineasing the productivity of e artisans who had contribud to a great extent to increang exports and could right- be termed as 'ambassadors' our culture.

The schemes for the promoon of handicrafts industry r the coming year would inude among other things exnsion of training facilities, tting up of new marketting d service extension centres.

estriction on lewsprint

Under the Newsprint Alloation Policy for 1973-74 anounced by Mr. I. K. Gujral, nion Minister of State for Information and Broadcasting recently the entitlement of a newspaper is based on its performance in 1972-73 in utilising newsprint authorised for that period. This entilement will be subject to a cut of 30 per cent, representing the shortfall in availability of newsprint. The requirements of existing newspapers on the basis of their performance in 1972-73 work out to 230,000 tonnes. As against this, the quantity of newsprint available so far for distribution is about 163,100 tonnes, which includes indigenous production (effectively 36,400 tonnes) as well as a small quantity set apart for new newspapers.

New Business by LIC

The total new business of the Life Insurance Corporation of India in June, 1973 amounted to Rs 161.07 crores, involving 137,083, policies. This included foreign business worth Rs 87 lakhs. The total business completed by the Corporation, including foreign business during the first three months of the current financial year amounted to Rs 273.83 crores compared with Rs 203.56 crores during the corresponding period of 1972-73.

HUDCO Loan for Housing

The Housing and Urban Development Corporation has released a sum of Rs.42 lakhs to the Tamil Nadu Housing Board, Madras for its two schemes. Under one of the scheme, known as Korattur scheme, a total number of 801 flats will be constructed for economically weaker sections and people belonging to low income and middle income groups. Besides, 741 plots will also be developed. It is expected that the construction work will be completed before March, 1975. So far Rs 2.38 crores have been sanctioned for the scheme.

Names in the News

Mr Justice Jethalal Nain of the Bombay High Court has been appointed Chairman of the monopolies and Restructive Trade Practices Commisssion. Mr Nain took oath of office at Rashrtapati Bhavan on July 23.

COMPANY AFFAIRS

Gwalior Rayon

GWALIOR RAYON Silk Mfg. (Wvg.) Co. Ltd has reported excellent working results for the year ended March 31, 1973, with production, sales and profits outstripping the previous year's impressive performance by a handsome margin. The equity dividend too has been stepped up from Rs 1.90 per share to Rs 2.25 per share. With a spurt in sales to Rs 77.37 crores from Rs 63.71 crores in 1971-72, gross profit leaped to Rs 11.87 crores from Rs 8.41 crores in the preceding year. Out of the gross profit, the directors have appropriated a sum of Rs 467.78 lakhs to depreciation reserve, Rs 246.41 lakhs to development rebate reserve, and Rs 313.00 lakhs to taxation reserve as against Rs 178.27 lakhs, Rs 19.98 lakhs and Rs 392.00 lakhs provided respectively in 1971-72. The net profit after these allocations amounted to Rs 159.42 lakhs as against Rs 250.76 lakhs in the preceding year. Out of the net profit the directors have transferred a sum of Rs 44.42 lakhs to general reserve as against Rs 230.76 lakhs in 1971-72 while a sum of Rs 100 lakhs was earmarked for replacement and rehabilitation reserve as against no provision in the earlier year. Besides Rs 15 lakhs was allotted to preference shares redemption reserve as against Rs 20 lakhs in 1971-72. The equity dividend will absorb Rs 148.50 lakhs, Rs 23.10 lakhs more than in 1971-72 while preference dividend will claim Rs 32.39 lakhs as against Rs 31.52 lakhs a year ago. Regarding the question of issueing bonus shares, the board considered the letter from the Controller of Capital Issues which has suggested that the company should set right the equity-preference ratio so as to bring the same to 3:1. To satisfy this condition, the paid-up equity capital of the company which is at present Rs 6.60 crores would be required to be increased to Rs 10.44 crores. However, the company's authorised equity capital at present is only Rs 10.00 crores. The board is, therefore, seeking clarifications from the Controller of Capital Issues. After receipt of the same, the Board will take up the question of issuing bonus shares.

The company, has extended the date of redemption of 1,48,275 preference shares series 'A' up to march 31, 1982. by increasing simultaneously the rate of dividend thereon from 8.57 per cent to 9.3 per cent per annum with effect from April 1, 1972. The Controller of Capital Issues has granted the consent stipulating certain conditions about which the company is seeking some clarifications from the government.

With improvement in the availability of pulp, the production of staple fibre went up to 69,000 tonnes during the year under review, as against 59,200 tonnes in the previous year. This production, which is equivalent to 3.80 lakh bales of cotton, has been very helpful in partially overcoming the acute shortage of cellulosic fibres in the country. The production of rayon grade pulp, which, on account of a prolonged labour strike, was only 42,500 tonnes in the previous year amounted to 63,200 tonnes during the year under review. The production would have been better, if suitable species of wood in adequate quantities had been available. A serious shortage of this basic raw material continues to exist. During 1972-73 Harihar Polyfibres produced 8040 tonnes of rayon grade pulp, The production during the current year is expected to be considerably higher.

Work on the fabrication and supplies of complete plant, machinery and equipment for 20 tonnes a day staple fibre production to South India Viscose Ltd, is in full swing. Further the Engineering Division had submitted a tender to supply a staple fibre plant to Thailand. Provisional agreement for supply of plant and machinery has been finalised on the condition that the company participates in the equity of the proposed foreign company. The company will also be required to supply process know-how to this project for a period of seven years.

In spite of the various difficulties in the delivery of imported and local equipment the plant for the chemicals division was completed within the scheduled time and the plant went on stream in October 1972 within 15 months from the start of civil work.

The company's existing power plant at Nagda has been in operation for about 20 years and it has been decided to install a new power plant at a cost of Rs 6.25 crores having an installed capacity of 16.5 MW, with latest pulverised fuel boilers, all of which will be procured indigenously. Therefore, the directors propose to provide towards extra replacement and rehabilitation costs Rs one crore out of the current years profit and another Rs one crore by way of transfer from general reserve, making a total provision of Rs 2 crores in this year also.

Madras Cements

Madras Cements Ltd, having its cement plant in a backward area of Tamil Nadu in Ramanathapuram district, is embarking on an ambitious programme of expansion which will result in doubling of its capacity to four lakh tonnes of cement annually from the present level of 1.90 lakhs tonnes. The management has decided to change over to the dry process for manufacturing cement as there are ample reserves of high grade limestone in nearby areas. Additional leases of limestone bearing land in a convenient locality adjacent to the existing factory have been acquired and the aggregate reserves will be adequate to feed the additional requirement of the expanded cement unit at least for 30 years. All the quarries will be completely mechanised and the transport arrangements will be created in such a way that there will be speedy despatches at economic cost.

It is significant to note that the company will be the first unit in Tamil Nadu to change over to dry process and install also the largest single kiln of its kind in the whole of the country, having a capacity of 1200 tonnes daily. The dry process has definite advantages over the existing wet process. There will be considerable

ving in the cost of the fuel d in the use of water. In- ct the present quantity of al used for producing two kh tonnes of cement will be dequate for manufacturing ouble the quantity. Apart om saving in use of water, e profitability of working ill also improve distinctly.

As the expansion comes up a notified backward area nd cement is included in core ector, Madras Cements will be aving the advantages of get- ng many concessions from entral and state governments esides other usual benefits. will also be having a much wer level of capitalisation er tonne of annual capacity as n entirely new plant capable f an output of four lakh onnes annually will require n outlay of Rs 18 crores as gainst the actual cost of Rs 2 crores. The estimated cost f the project is about Rs .70 crores. It will be financed y the issue of fresh capital f Rs 1.70 crores, term loans from IDBI, ICICI, IFC, LIC, SIPCOT, Indian Bank and UTI of Rs 7 crores, interest free sales tax loan from SIPCOT of Rs 0.50 crores and internal resources of Rs 0.50 crore. The entire issue of fresh capital of Rs 170 lakhs — Rs 140 lakhs in equity and Rs 30 lakhs in preference shares—has been offered to the existing holders of equity and irredeemable preference shares on a right basis. The balance left over, if any, will be issued to the public for subscription. The public issue will be fully underwritten. Messrs Larsen and Toubro who are fabricating cement plants in collaboration with M/s F.L. Smidth & Co., Denmark, will be supplying the plant and machinery. M/s Holtec Engineers Private Ltd., Patna, who have collaboration arrangements with M/s Holderbenk Technical Services, Canada, have been retained as technical consultants for this project.

It is noteworthy that Madras Cements will have an edge over other units because of the special advantages in the dry process to be adopted and in particular due to improved profitability of working and the lower investment per tonne of new capacity as compared to new entrants.

New Bank of India

The year 1972 was a year of creditable achievements for the New Bank of India Ltd. with deposits, advances, and profits, excelling the previous year's record performance by a substantial margin. During 1972 deposits crossed the Rs 60 crore mark and stood at the peak figure of Rs 63.33 crores, registering a gain of as much as Rs 18.48 crores over 1971. During the year, 25 new branches were opened, notable among them being one each at Ahmedabad, Madras and Bangalore and five in Delhi. The bank has, thus, extended its business activities to two new states namely Tamil Nadu and Mysore. With a view to providing banking services to the remotest corners of the country, new offices were opened at places which do not have even minimum facilities such as Posts and Telegraph. Significantly, out of its 126 branches, 36 are operating where no other bank is functioning. Since the close of 1972, five more branches were added to the Bank's network—additions being one at Rajpura in Punjab, Narnaul and Narwana in Haryana and Sriganganagar and Alwar in Rajasthan. Plans are afoot to open 25 further branches during the rest of the year. Of these, three will be in Bombay, one at Hyderabad, besides a few more in Rajasthan, Punjab, Uttar Pradesh, Haryana, Gujarat and Maharashtra. Average deposits of the bank works out at Rs 52.77 lakhs per bank and this is indeed a satisfactory performance as compared to the all India level. The number of deposits accounts with the

ank continued to grow at a alloping rate, reflecting there- y the popularity of the bank nd the confidence its enjoys ith the depositing public.

In keeping with the social bjectives of banking the bank xpanded and diversified its redit portfolio. Besides meet- ng the credit needs of a wide pectrum of customers, the ank extended liberal credit to eaker and neglected sections f society. This is borne out y the rapid advance in credit which has gone up from Rs 26.25 crores to Rs 37.40 crores. Of this, priority and neglected ectors shared Rs 8.75 crores ccounting for 23.3 per cent of he total advances. Investments of the bank during the year oo recorded a handsome rise o Rs 15.97 crores as against Rs 13.23 crores at the end of 1971. The working of the bank during the year has re- sulted in a higher profit of Rs 13.13 lakhs as compared to Rs 12.87 lakhs in 1971. The profit has been arrived at after providing for income tax and making other usual and neces- sary provisions including pay- ment of Rs 13.00 lakhs as bonus to staff as against Rs 8.00 lakhs last year. Dividend at the rate of 20 per cent for 1972 (on right shares for a period of three months) ab- sorbed Rs 5.04 lakhs. After adjustments a sum of Rs 1.23 lakhs was carried forward to next year's accounts as against Rs 1.28 lakhs brought in from the previous year's accounts.

Oriental Bank

Oriental Bank of Commerce Ltd, has reported all round progress in almost all spheres of its activities. De- posits during 1972 recorded a smart rise to Rs 46.87 crores from Rs 36.69 crores, an in- crease of Rs 10.18 crores or 27.7 per cent over 1971. Ad- vances to priority sectors continue to rise progressively and were 28.87 per cent of the total advances at the end of 1972, the total advances being Rs 25.38 crores as against Rs 19.10 crores at the end of 1971. Cash in hand and ba- lances with the Reserve Bank including money at call and short notices amounted to Rs 6.18 crores, the ratio of cash to deposits being of the order of 13.2 per cent. After trans- ferring Rs 0.76 lakh to statu- tory reserve and providing for income tax and making other usual and necessary provisions, the surplus available was Rs 22,994 to which was added a sum of Rs 2,038 being the balance of profit brought for- ward. Out of this disposable surplus a sum of Rs 20,000 was appropriated to general reserve while Rs 4,000 was earmarked for payment of gratuity to staff. The re- maining Rs 1,032 was carried forward to next year's ac- counts. During the year 16 new branches were opened, carrying the total number offices at the end of 1972 to 86. Out of the 16 new branches, one was opened in West Bengal, two each in Rajasthan and Delhi, three in Haryana, and four each in Uttar Pradesh, and Punjab. It is significant to note that out of the 16 new offices, six branches — the highest — were opened in un- banked rural areas, five in semi-urban areas, two in urban areas and three in metropoli- tan centres. Licences for open- ing three new brancher one at Bombay (Lamington Road), another at Jhajjar, a semi- urban centre in Haryana, and the third one at Krishna Pura Kalan, a rural unbanked cen- tre in Punjab are in hand. Efforts are being made for obtaining licences for opening about 25 more branches during this year.

Lakshmi Commercial Bank

Lakshmi Commercial Bank Ltd has reported further im- pressive improvements in its working results during the year ended December 31, 1972. Deposits during the year shot up to Rs 20.95 crores from Rs 14.50 crores in 1971, register- ing an increase of over 44 per cent. Loans and advances jumped from Rs 6.54 crores to Rs 11.13 crores, recording a spectacular rise of more than 70 per cent over 1971, the ratio of advances to deposits being as high as 53 per cent. The total working funds of the bank too went up appreciably from Rs 17.45 crores to Rs 25.03 crores at the end of December 31, 1972. It is esti- mated that the income-tax liability for 1972 would be of the order of Rs 3 lakhs, as against a credit balance of Rs 4,20,699 in provision for in- come-tax account. The excess provision of Rs 1,20,699, con- sequently, has been transferred to the profit and loss account. The net profit after taking cre- dit of Rs 1,20,699 amounted to Rs 6.46 lakhs. After appro- priating Rs 4.40 lakhs for pay- ment of bonus the net surplus worked out to Rs 2.09 lakhs. The dividend at the rate of 15 per cent claimed Rs 1.64 lakhs while an amount of Rs 41,880 was transferred to statutory reserve. A sum of Rs 10,415 was carried forward as against Rs 7,278 brought in.

The bank continued with vigour its branch expansion programme. During the year 15 new offices were opened, raising the total number of branches to 63. Most of these new branches were at impor- tant commercial centres. The bank has also received formal permission for opening 14 more branches which include prominent cities such as Mad- ras, Ahmedabad, Bangalore, Hyderabad, Lucknow, Delhi (Azadpur), Delhi (Lal Kuan) and other important centres such as Ambala, Patiala, Gwalior etc. These branches will start functioning shortly. Further a resolution was passed on February 26, 1973, to increase the issued capital from Rs 11.03 lakhs to Rs 16.55 lakhs by the issue of 55,158 fully paid shares of Rs 10 each as rights shares at par in the ratio of one share for every two shares held by the existing shareholders. The increase in paid-up capital, no doubt, will further strengthen the capital base of the bank and enable it to keep pace with its all round progress.

Sabena

Sabena, Belgian World Air- lines, has placed an order for the purchase of 10 Boeing advanced 737s to replace its Caravelle fleet on its domestic and regional routes. The order is valued at more than fi million US dollars and t delivery is to begin in Ap 1974. The announcement r garding the order said that t Boeing advanced 737 has be chosen in preference to t French built Mercure becau of the Boeing's price, compe tiveness and operating cos The 737s which will be delive ed to Sabena will be equipp with the new "wide-bo look" interiors for more pa senger headroom and will ha

Boeing's quiet Nacelle engine nodifications for lower noise evels on take off and landing. The Sabena order brings the otal sales of the 737 to 366, out of which 321 have already been delivered to 40 airlines. The order by Sabena for 737 is ts first order for the medium-range twin-jet, although the airline has been operating 707, 727 and 747 Boeing aircraft: Sabena, one of Boeing's oldest commercial customers, first ordered 707s in 1955. Sabena, formed in May 1923, recently celebrated fifty years of air service.

News and Notes

(Expansion and diversification)

The Star Textile Engineering is embarking on a massive expansion and diversification programme. The company proposes to manufacture rotary and flat bed screen printing machines in collaboration with Toshin Kogyo of Japan. The company has also entered into a technical collaboration with another Japanese firm, Hisaka Works for the manufacture of jet dyeing plants required for synthetic and polyester fibres and their various blends. Besides the company's manufacturing programme includes certain machine tool items such as hydro-pneumatic clamping device, hydraulic copy turning attachment and multi spindle drilling attachments. The project is estimated to cost Rs 110 lakhs and it is proposed to be partly financed by a public issue to the tune of Rs 40 lakhs. On completion of this project in 1975, the turnover is expected to increase from the present level of 2.3 crores to around Rs 8 crores.

New Issues

Trade Wings, a reputed and will established travel organisation, is diversifying its activities and it proposes to set up a chain of hotels at holiday resorts. To start with the company is putting up a three star hotel on the Bogmalo Beach, near Dabolim airport of Goa. The hotel costing about one crore of rupees will have 120 double rooms and six suites.

The company had plans to set up one such hotel every three years and thus complete a chain of five hotels in 15 years. To raise part of the resources required for implementation of the project the company will be entering the capital market sometime in September with a public issue of Rs 30 lakhs. The company's existing shareholders, directors and employees will also subscribe to the equity capital to the tune of Rs 10.7 lakhs. The company has been sanctioned a loan of Rs 46 lakhs by the United Commercial Bank and Rs 20 lakhs by the ministry of Tourism. The hotel is expec ed to be ready by Decemb 1974.

The hotel is expected achieve a turnover of abo one crore rupees in 1975-76, t first full year of its operation based on an occupancy ra of about 60 per cent. Its n profit for that year is estima ed at Rs 14 lakhs. The con pany's existing travel busine is expected to grow at a annual rate of 20 per cen The company which has de lared dividends ranging fro 8 to 15 per cent in th past few years is expected pay a dividend of about per cent on the enlarged cap tal for 1975-76 and it will raised progressively in subs quent years.

Canara Steel will be a proaching the capital mark sometime in September with public issue of 200,0 equity shares of Rs 10 each par. The proceeds of t

will be utilised to meet t of finance required for g up a mini steel plant Mangalore. In the first the company will be lling a 10/12 ton electric arc ice. It has plan to install later stage another arc ace of equal capacity and a continnous casting nine. The project will Rs 102 lakhs and will be nced by the share capital s 40 lakhs and term loans s 62 lakhs. The plant is cted to commence com- cial production by April . The company's sales ng the year ending March 5. the first year of product- , will amount to about 1.25 crores and gross profit ut Rs 17.14 lakhs. The npany is expected to dec- a maiden equity dividend of about 10 per cent for 1974-75.

Company Meetings

Jay Shree Tea and Industries Ltd : Birla Buildings, 9/1 R. N. Mukherjee Road, Calcutta 700001; August 31, 3 PM

Tata Engineering and Locomotive Company Ltd ; Birla Matushri Sabhagar, New Marine Lines, Bombay 400020; July 31; 3.45 PM

Indian Dyestuff Industries Ltd : Tata Auditorium, Homi Mody Street, Fort, Bombay 400001; August 10; 4.00 PM

Minerva Mills Ltd : Victor House Annexe, Opp Modern Mills, Keshavrao Khadye Marg, Mahalaxmi, Bombay 11; July 30; 4.00 P M

Dividends

(Per cent)

Name of the company	Years anded	Equity divide declared for Current year	Previ yea
Higher Dividend			
Bombay Suburban Electric Supply	March 31, 1973	13.5	12
Same Dividend			
India Cements	March 31, 1973	8.0	8
Rohit Pulp and Paper Mills	March 31, 1973	12.0	12
New Standard Engineering Company	March 31, 1973	11.0	11
Andhra Valley Power Supply Company	March 31, 1973	13.0	13
Tata Hydro Electric Power Supply Company	March 31, 1973	13.0	1
Tata Power Company	March 31, 1973	13.0	1
Hindustan Ferodo	March 31, 1973	23.0	2
Gaekwar Mills	December 31, 1972	16.0	1
Godfrey Phillips India	December 31, 1972	35.0	3
Industrial Containers	December 31, 1972	10.0	1
Steel Containers	December 31, 1972	20.0	2
Reduced Dividends			
Tata Oil Mills Company	March 31, 1973	9.0	1

Cloth for the Common Man

V. Balasubramanian

THE ANCIENT Romans, knowing wool, but being new to cotton, let their imagination run riot over what that unfamiliar fibre could be. They even speculated that it might be the fleece of lambs borne on some magic vegetation in the mysterious East. Giving this plant a fantastic name, they drew fanciful pictures of it.

The passing of centuries and the sweep and swell of communications have enabled men and women in modern times to become familiar quickly with the discoveries of science or the inventions of technology. Thus it has taken less than twenty years for man-made fibres to challenge the supremacy of cotton as the basic material of people's clothing and throw out a promise of becoming the dominant apparel article of the future. Although cotton, wool and silk have natural qualities which must for ever remain important or even indispensable for certain uses or needs, the versatility of man-made fibres and the vast scope that exists for experimentation in their technology suggest that these fibres can be continuously adapted for consumer requirements. It follows that they are destined to play a highly dynamic role in the textile economy of nations.

Dramatic Changes

Man-made fibres divide themselves into two broad categories, cellulosic and non-cellulosic, depending on the raw material base. Cellulosic fibres are manufactured from wood pulp, while non-cellulosic or synthetic fibres are based on monomers or polymers from the petrochemical industry. In 1962, out of a total world consumption of principal fibres, cotton accounted for a little over 61 per cent and man-made fibres of both categories for a little less than 25 per cent. The share of cellulosic fibres came to about 18 per cent and that of synthetic fibres to about seven per cent. Dramatic changes had taken place in this pattern of world fibre consumption by the end of the decade. The share of cotton in the fibre total had come down to 50 per cent by 1971 while the share of man-made fibres had ascended to nearly 40 per cent. Within the man-made fibre group itself a revolutionary change in respective importance had simultaneously occurred as between cellulosic and synthetic fibres. Whereas between 1962 and 1971 the contribution of cellulosic fibres to total world consumption of all fibres fell from 18 per cent to less than 15 per cent, the share of synthetic fibres rose from about seven per cent to about 26 per cent.

Interesting Trend

Another interesting trend which illustrates vividly the increasing importance of man-made fibres in the world textile economy is the movement of world per capita consumption over the years. This figure, in the case of cotton, has fluctuated narrowly between 3.1 kg and 3.3 kg from 1962 to 1971 and has tended to stagnate at 3.1 kg for the three-year period from 1969 to 1971. As against this the world per capita consumption of man-made fibres has been rising steadily due to the growth in the utilization of synthetic fibres. In 1962, the combined world per capita consumption of cellulosic and synthetic fibres had amounted to 2.3 kg to which cellulosic fibres had contributed 0.9 kg. By 1971 the world per capita consumption of all man-made fibres had gone up to 2.4 kg, with cellulosic fibres contributing however the same 0.9 kg as in 1962. In other words, the increase in the world per capita consumption of man-made fibres between 1962 and 1971 was due entirely to the improvement in the offtake of synthetic fibres, which moved from 0.4 kg to 1.5 kg. It is worth noting that the growth in world per capita consumption of synthetic fibres accounted for slighly more than the increase in the total world per capita consumption of all fibres from 5.1 kg in 1962 to 6.1 kg in 1971.

In a sense, then, synthetic fibres could be credited with having effected all the improvement that there was in the world per capita consumption of a[ll] fibres in the ten years ending 1971. O[n] the basis of the current trend in th[e] world consumption of the princip[al] fibres, it is being foreseen that the sha[re] of man-made fibres in the world tot[al] may well exceed 65 per cent by th[e] beginning of the eighties. It also seem[s] to be indicated that this advance [in] man-made fibres would come large[ly] through the increased per capita co[n]sumption of synthetic fibres in the eco[-]nomically advanced and therefore afflu[-]ent countries of the world. The co[n]sumption of cellulosic fibres may in fa[ct] decline in these countries but, at th[e] same time, it may rise substantially [in] the developing countries.

While the displacement of Kin[g] Cotton from its textile throne has bee[n] quite spectacular, there has been nothin[g] unpredictable about it. Although a cer[-]tain minimum of clothing is a basi[c] need of human existence, with this mini[-]mum itself varying according to clima[-]tic conditions, the demand for clothin[g] is both price-elastic and income-elasti[c]. Besides lower prices attracting increase[s] in consumption, rising incomes and im[-]proving standards of living in a com[-]munity directly and powerfully stimu[-]late the demand for clothing, particu[-]larly in terms of improvements in qua[-]lity or refinements in variety. Thus, th[e] developed countries as a group increas[-]ed their per capita consumption of ap[-]parel fibres, both natural and man[-]made, from 13.6 kg during the perio[d] 1964-66 to 15.4 kg in 1970. It is tru[e] that climatic conditions in many par[ts] of these regions or countries necessitat[e] a relatively high level of cloth con[-]sumption but, in addition to this basi[c] physical factor, their 'developed' statu[s] has certainly been responsible for the[ir] higher per capita consumption of fibr[es] as compared with the rest of the worl[d].

The developing countries present [a] sharply contrasting picture. Their p[er] capita fibre consumption is both low an[d]

e to use. For this category the per capita consumption in 1970 was only kg. showing a marginal improvement er the 1964-66 average of 2.6 kg. vertheless, since many developing intries have relatively large populans and quite a few of them have enced themselves in industrializing or nerwise developing their economies, e aggregate as well as the per capita nsumption of fibres in these countries ay be expected to grow at a somehat faster rate in the future as against e past. For the better part of the sixes the per capita fibre consumption of veloping countries has remained stagnt and this in itself would be a meare of the disappointment many counes in this group have experienced in eir expectations of economic growth. the extent the seventies turn out to a period of fulfilment of the dreams economic progress of the developing untries, world fibre consumption ould advance that much faster.

...ture of Cellulosics

It has been noted earlier that the ...ance in the world consumption of an-made fibres has been due mainly to e increase in the offtake of synthetic ores in the more affluent countries. As e developing countries also begin to bstitute more and more man-made bres for cotton, they are likely to utie cellulosic fibres more than synthetic bres, at least for some years to come. e cellulosic section of the man-made ... industry thus seems destined to lay a prominent role in serving the in... fibre needs or raising the cloth nsumption standards of developing untries through the seventies and ...

Le us examine why this must be so. As the world population grows, land esources are becoming relatively scarce nd the cotton crop has to compete with other crops for space. Simultaneously, especially in the industrialized countries, there is constant pressure on capital, management and labour to shift from agriculture to industry with the result that incentives for cotton farming are weakened.

There is therefore already a trend for cotton to become less and less abundant and more and more costly, particularly in the major cotton growing countries such as the United States, which has also a highly industrialized economy. The availability of cotton at a reasonable level of prices may therefore be increasingly falling short of the world demand from a growing population geared to rising standards of living.

The development of man-made fibres based on raw materials, which are either independent of the utilization of agricultural resources, as is the case with synthetic fibres, or are far less demanding of resources in the form of land, which is the case with cellulosic fibres, has consequently imparted new dimension to the world fibre supply situation or outlook. It has now become possible to look to man-made fibres for meeting more and more of the growth in world fibre consumption and utilization. These fibres, whether alone or in combination with cotton or other natural fibres, are also able to meet more adequately and precisely the demands of consumers for better apparel fabrics in terms of improved qualities of apearance, durability, comfort and convenience of handling and maintenance.

Thanks to their large industrial base and advanced petrochemical industries, the developed countries are able to manufacture synthetic fibres with the full benefits of the economies of large-scale production. They are also in a position to bring to bear on the manufacture of these fibres the benefits of expensive scientific and technological research on process or product improvement. As a result, the synthetic fibre industries in the developed countries have been able to manufacture products with an increasing range of special attributes and at reasonable prices which become even more attractive when related to the higher levels of income obtaining in these countries.

Solid Advantages

The situation in the developing countries is different. It is true that here too there exists a basic need for developing man-made fibres, the production of which could be expanded at a cost which is comparable to or perhaps more favourable than that of raw cotton. But, unlike the developed countries, developing countries may and do find it profitable to exploit cellulosic fibres to a very considerable extent. This is particularly true of those developing countries which have no large industrial base or substantial petrochemical industries. But, even other developing countries, which may have gone in for the manufacture of synthetic fibres or are in a position to do so, may still secure solid economic advantages in promoting intensively the manufacture of cellulosic fibres side by side with the development of their synthetic fibre industries.

This is because cellulosic fibres are particularly suited to serving the clothing

Per Capita Consumption of All Fibres

(kgs)

Region	1964-66 average	1967-69 average	1968	1969	1970
Developed countries	13.6	14.8	15.0	15.6	15.4
Centrally planned countries	4.6	4.9	4.9	5.0	5.0
Developing countries	2.6	2.7	2.7	2.7	2.8
World total	5.5	5.9	5.9	6.0	6.0

Mill Consumption of Fibres in 1970

Region	Cellulosic		Non-cellulosic	
	Thousand tonnes	Percentage to total	Thousand tonnes	Percentage to total
Developed countries	1982.3	56.0	3987.6	81.0
Centrally planned countries	1055.8	29.9	435.2	8.8
Developing countries	500.1	14.1	503.5	10.2
of which: Asia and Far East	219.6	6.2	247.2	5.0
India	122.0	3.4	22.5	0.5
All countries	3538.2	100.0	4926.3	100.0

requirements of communities with relatively low incomes. Although they are less durable than synthetic fibres, they make up for this by being priced much lower. While in affluent societies an initial large investment in more durable apparel has the appeal of being a genuinely economic proposition, a substantially low-priced cloth, provided its wearing qualities are not unduly inferior may well be considered a better bargain in relatively low income communities. Price or durability apart, although synthetic fibres have superior wrinkle-free or quick-drying qualities, cellulosic fibres, because of their bright finish, often qualify as "the poor man's silk" and thereby enable the less affluent consumer to enjoy a feeling of possessing or using a 'luxury' product without having to pay a 'luxury' price. Cellulosic fibres, however have lower wet strength and less able to stand laundering. But commercially successful efforts have already been made to deal with these deficiencies and the resultant high wet modulus or polynosic fibres may go far in offering to the consumer a more satisfactory cellulosic material for apparel fabrics.

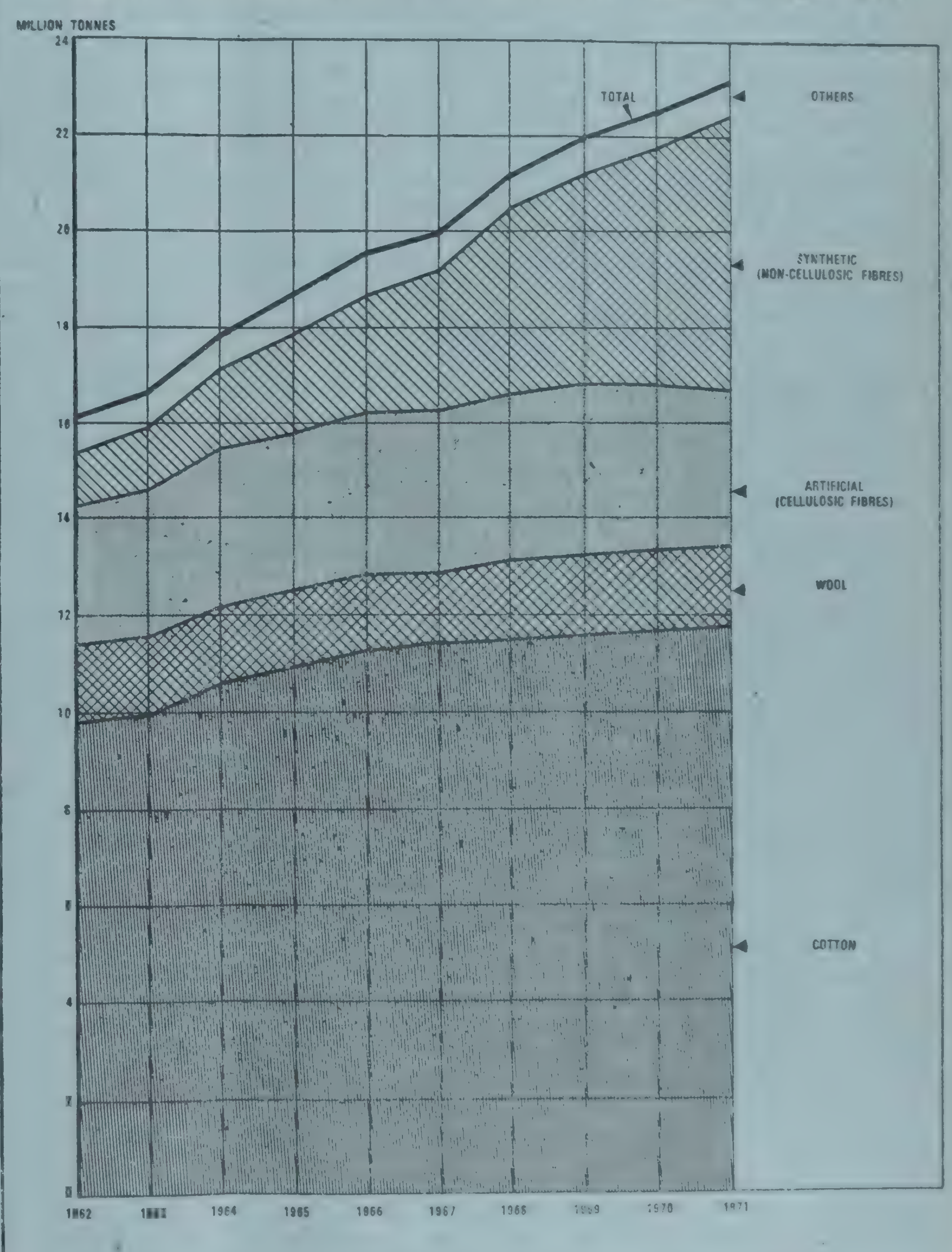
II

The growth of the man-made fibre industry began in this country at the weaving end. In the thirties of this century rayon fabrics were becoming popular in the West and Japan. They were also being imported into this country, chiefly from Japan. As early as in 1930 a duty was levied on these imports for revenue purposes. Four years later, acting on a recommendation of the then Tariff Board, the government imposed a substantial protective tariff, not so much for the purpose of promoting a domestic rayon weaving industry as with the object of safeguarding the interests of the Indian cotton textile industry which was apprehensive of imported rayon fabrics cutting into the market for cotton piecegoods. Rather interestingly, this import duty did not fulfil its designed purpose, for it acted as a stimulus to silk weaving mills in this country to take up also the weaving of rayon fabrics from imported rayon yarn. In other words, the protective duty only succeeded in substituting yarn for fabrics in imports. Although the cotton textile industry may not have secured the benefits it expected, there is little doubt that this development was very much to the advantage of this country since it helped it to enter the man-made fibre age sooner than it might otherwise have done. A fact which assisted in the establishment of rayon weaving capacity in the country was that weaving machinery was available from Japan at attractive prices.

The second World War interrupted the growth of the industry by starving it of imports of yarn but, from 1946 onwards, imported rayon yarn once again became available. Taking advantage of this a large number of powerlooms came into existence and engaged themselves in the manufacture of fabrics out of imported man-made fibres, both cellulosic and synthetic. The weaving industry found its foundations very considerably strengthened when the manufacture of cellulosic fibres was initiated within the country in the early fifties. There was a almost explosive expansion of weavin facilities in the subsequent years.

Thus, wereas in 1951, ther were some 26,000 powerlooms ope rating in this industry, besides 75,00 handlooms, their number had gon up to 44,500 distributed amon 3,883 units by the year 1958, when a tariff inquiry was held. In addition to these powerlooms, there were 908 looms installed in cotton textile mills, 8,000 unregistered looms and 11,300 powerloom equivalent of handlooms, all working on man-made fibres. Besides this,

WORLD CONSUMPTION OF PRINCIPAL FIBRES : 1962–1971



6,300 powerloom equivalent of hand-looms were engaged in weaving mixed fibre fabrics.

Progress in the subsequent seven years was even more rapid than in the preceding seven. As a result, in the middle sixties the man-made fibre weaving industry could boast of over 89,000 powerlooms providing employment to more than 250,000 workers. The number of handlooms working on cellulosic or synthetic fibres was as many as 146,000 with another 200,000 or more handlooms engaged in the manufacture of mixed fabrics containing man-made fibres. As a result, the production of man-made fabrics increased by two-and-a-half times between 1951 and 1968 to reach a level of 969 million metres. Today the industry has more than 103,000 powerlooms and the number of handlooms producing both pure and mixed fabrics comes to nearly 400,000. Then there are approximately 630 warp knitted and raschel looms besides 114 engaged on embroidery. Some 30 false twist machines for texturizing are also stated to be in operation. It has been estimated that more than Rs 280 crores have been invested in this industry and that the direct employment it provides covers more than half a million people.

For Every Need

A full picture of the progress of the weaving sector, however, cannot be obtained unless account is also taken of the range and versatility of the fabrics manufactured by it. It would be no exaggeration to say that there is a variety of filament or spun rayon fabric for almost every need or preference of man or woman for apparel fabrics for various uses. Especially among the middle class and the lower middle class, art silk, as it is popularly known, has come to be a widely accepted clothing material because it combines the attractions of appearance and finish with a relatively low price. Whether among the working classes in the south or the peasant communities in the north, rayon fabrics of one kind or the other seem to fulfil individual and family needs for pleasant and inexpensive clothing on an increasing scale.

India's rayon weaving industry, moreover, has advanced beyond the stage of serving domestic consumption and is probing into markets abroad. In the year-ended 1972-73 it exported about 18 million metres of filament rayon fabrics valued at Rs 6.3 crores. The export of spun rayon fabrics in this year came to 1.2 million metres valued at about Rs 40 lakhs. In other words, India, which was importing rayon fabrics in the thirties for all its requirements, has now established itself as an exporter of these fabrics with bright prospects of building up this trade steadily in the coming years.

The true foundations of the man-made fabric industry are of course to be found in the establishment and growth of spinning capacity in the country itself. Thanks to the popularity of art silk in the thirties, our country's industrial leaders were able to foresee fairly early the great need and the bright future that existed for the full-fledged development of the man-made fibre industry. It was realized in the years immediately after the end of the second world war that the country would have to set up its own capacity for producing man-made fibres so that the weaving industry would not have to look for imports. Travancore Rayons which has pioneered the manufacture of rayon yarn in the country, was founded in 1946 and started production four years later. This company manufactures rayon and transparent cellulose films and allied products. Starting with an initial capacity of five tons per day, the company had its plans for increasing production by another five tons sanctioned by the government in 1960. Its present capacity is 8.6 tons per day of spun dyed (coloured) rayon yarn of 75, 100, 105, 120, 150 and 300 deniers. In addition, it has also capacity for producing 14 tons of transparent cellulose film per day. Its net sales, which amounted to Rs 3.66 crores in 1961, had risen to Rs 10.02 crores by 1972.

Teething Troubles

Next came National Rayon's plant designed for producing continuous filament yarn. This went into operation at Kalyan near Bombay in the course of 1950. In describing these early beginnings, I may recall the words of the late Purshottamdas Thakurdas in his chairman's speech at the fourth ordinary general meeting of this company. He said:

> "Coming to the affairs of the company, I am very glad to report that, in spite of innumerable difficulties which confronted us since the establishment of the company, it has been possible for us to complete the erection of the entire plant and start production from the beginning of March this year (1950). You may have seen from the Directors' Report that the daily production of the plant had by then reached the figure of 12,000 lbs of 150 denier. There has been further im-

Production of Cellulosic and Synthetic Fibres in India

(Thousand kgs)

Year	Viscose rayon		Acetate rayon		Nylon		Polyester		Acrylic staple fibre
	Filament yarn	Staple fibre	Filament yarn	Staple fibre	Filament yarn	Staple fibre	Filament yarn	Staple fibre	
1960	18,798	21,779	1,925	..	...	..	..	..	..
1965	25,213	37,151	2,033	2	1,480	..	..	1,385	..
1966	33,311	42,769	1,337	451	1,920	..	..	2,547	..
1967	34,760	52,136	1,715	124	2,456	..	..	3,045	...
1968	36,013	61,564	1,469	523	5,293	..	..	4,698	..
1969	36,515	58,178	1,534	461	7,839	..	199	5,737	36
1970	36,017	63,146	1,752	217	9,731	..	585	5,331	192
1971	36,819	60,740	1,622	328	10,303	20	532	5,729	84
1972	39,591	70,338	1,604	389	11,673	..	548	6,604	..
1973-74 (Estimates)	42,000	86,000	2,000	500	14,000	..	720	18,000	..

provement in the position since then and we are now manufacturing 12,000 lbs of rayon yarn of 150 and 120 deniers which is equivalent to about 14,500 lbs of yarn in terms of 150 denier. I hope you will consider this progress quite satisfactory. Yarn prices are favourable and leave us a reasonable margin of profit."

There were, however, problems. This industry, in fact, has never been entirely free from problems of one kind or the other. Already, in 1950-51, the present rayon yarn industry was becoming concerned over the availability of raw materials such as wood pulp, sulphur and caustic soda. These commodities had to be imported from abroad and about that time excessive stockpiling was being resorted to by many countries. The situation was not improved by the fact that, whereas other countries were able to make purchases for as far ahead as even two or three years, the Indian government's import licensing policy prevented the Indian manufacturer from committing himself to periods longer than a year. For an industry as heavily dependent on imports for its major raw materials as the rayon industry was, it became exceedingly important that the government of India should follow a realistic policy in licensing imports.

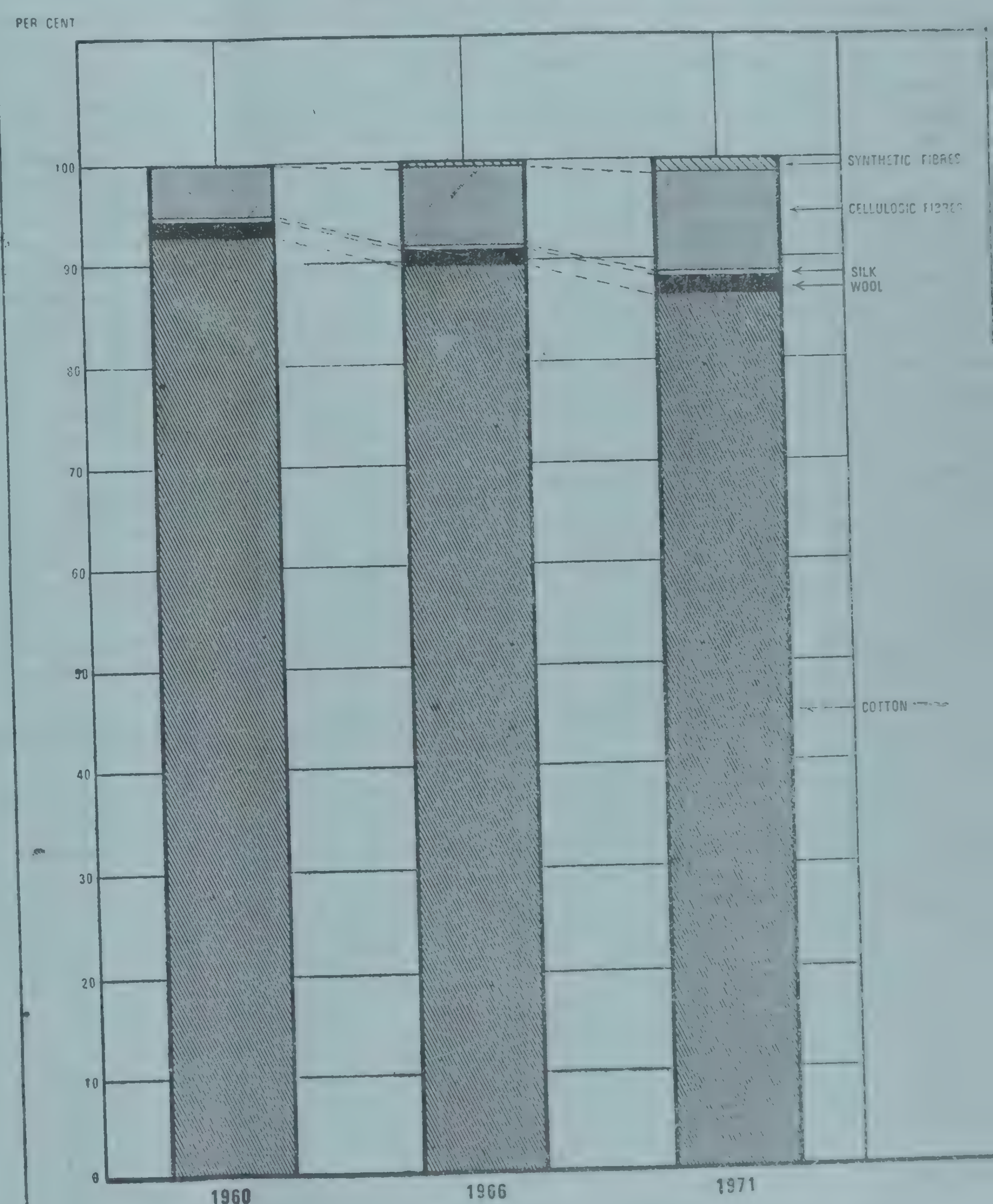
Despite Difficulties

By July, 1950 National Rayon had reached the stage of full production. It was manufacturing rayon yarn of different deniers, depending on the demands of the market. In the course of 1951, however, the prices of wood pulp, caustic soda and sulphur had shot up by about 300 per cent, 25 per cent and 100 per cent respectively. Again, even as the prices of raw materials were rising, the rayon market in India began to experience from July, 1951 a serious slump in prices caused partly by speculation and partly by a large inflow of imported yarn and staple fibre. Although the liberalization of imports of yarn was effected by the government with a view to countering the activities of speculators who had been rigging up prices, it did have an adverse effect by depressing the market to such levels as to make prices uneconomical for the nascent Indian industry.

Despite a difficult infancy, the rayon industry grew rapidly during the fifties, thanks to the real need that there was for man-made fibres and fabrics to supplement the supply of cotton yarn and cotton textiles so that a rising population could satisfy its clothing requirements and also gradually improve and diversify its per capita consumption of textiles. Several manufacturing units entered the field and the cellulosic fibre industry, as we know it in this country today, was well-established by the early sixties. National Rayon, which was one of the first to enter this field, had been continuously increasing its production capacity. In its first year of production, this company reported sales of Rs 1.23 crores of yarn and ten years later sales had gone up to Rs 7.48 crores. By 1972, the corresponding figure stood at nearly Rs 25 crores.

Another major development in th industry was the decision of the Centur Spinning and Manufacturing Compan Limited, Bombay, a cotton spinnin and weaving mill, to diversify its opera tions and enter the rayon industry. I 6-ton continuous viscose yarn plan started production at Kalyan nea Bombay in September, 1956 and th was followed by a remarkable histor of growth which took Century Rayon t the top position in the industry. I

SHARE OF MAN-MADE FIBRES IN TOTAL FIBRES PRODUCTION IN INDIA 1960, 1966 AND 1971



10,448 metric tons in 1972 as against an installed capacity of 7,000 metric tons.

In December, 1959, a 7-ton rayon yarn plant of Kesoram Industries and Cotton Mills Limited went into production in 24-Parganas, Calcutta. In the following year South India Viscose Limited commenced production of viscose filament yarn at its plant in Coimbatore district in Tamil Nadu. Three relatively recent entrants into the industry are J.K. Rayon with its continuous process plant for the manufacture of viscose filament yarn—bright, dull and spun dyed—Baroda Rayon and Indian Rayon. Baroda Rayon commissioned the viscose section of its rayon plant in October, 1962 and proceeded to attain its rated capacity in June, 1963. By 1963-64 its output of yarn was 2,764 tonnes on 100 denier basis as against the licensed capacity of 2,300 tonnes per annum. By 1972 the company's sales had reached Rs 8.21 crores. The Indian Rayon Corporation Limited, founded in 1959 with a licensed capacity of 10 tons of rayon filament yarn per day, has had a chequered history. Its factory at Veraval in Saurashtra commenced regular production in October, 1963 and by February, 1964 the output was averaging at about four tons per month. Its further progress met with several obstacles, but subsequently there was change of management and since then there has been gradual improvement in its working. The outlook for this company has brightened considerably and it is expected to reach production at full capacity without further interruption.

In addition to these eight units employing the viscose process for the production of rayon filament yarn, there is a ninth one which employs the acetate process. This is Sirsilk Limited, which has its factory in Sirpur in Andhra Pradesh and it is turning out yarn of 100, 120, 150 and 300 deniers and fabrics ranging from 27 inches to 54 inches. In the period between 1964 and 1971, the production of acetate filament yarn rose from 3.1 tonnes to 4.4 tonnes. One of the main raw materials used in the acetate process is power alcohol and production has often been adversely affected by the difficulties experienced by the factory in obtaining adequate quantities of this commodity from the state government's factory.

Progress in Staple Fibre

Besides manufacturing rayon yarn by the acetate process Sirsilk also produces staple fibre employing the same process. Most of the staple fibre in the country, however, is produced by the viscose process in two other units. One of them is South India Viscose which, as we have seen, produces viscose filament yarn. The production of viscose staple fibre by this company commenced in May, 1961 and the full production capacity of 10 tons a day was reached in July of that year. The company has been expanding both in capacity and production in response to market requirements for its products.

The other unit manufacturing viscose staple fibre is Gwalior Rayon. The staple fibre division of this company at Nagda in Madhya Pradesh started production in February, 1954 and ten years later the output had reached a level of 29,670 tons. The government's policy of allowing the import of staple fibre had occasionally come in the way of the company marketing its production. These two units, South India Viscose and Gwalior Rayon, have a combined installed capacity of 82,000 tons per annum against which the production during 1972 was of the order of 70,000 tons.

The production of cellulosic fibres of all kinds, which amounted to 45,500 tonnes in 1961, had risen to 116,000 tonnes in 1971, placing this country seventh among the cellulosic fibre producers in the world. In this period cellulosic fibre production in India went up at a much faster rate than in other countries. For instance, between 1961 and 1968 production had gone up by 126 per cent in our country as against 87 per cent in the USSR, 45.6 per cent in the USA and 37.5 per cent in the UK. Brazil and Argentina, two developing countries, sported growth rates very much less than that of India, the relevant figures being 24 per cent for Brazil and 30 per cent for Argentina. The cellulosic fibre industry was thus one of the faster growing industries among the new industries developing in this country since independence and today India ranks fifth in the production of viscose filament rayon yarn.

Raw Material Base

An industry as large as this naturally has to devote sufficient attention to strengthening its raw material base. We saw earlier how rayon spinning followed rayon weaving in this country. For some years now a rayon grade pulp industry has been coming up in the wake of the development of the rayon spinning in-

Textile Production in India : Share of Man-made Fibres

(Million kgs)

Year	Cotton	Wool	Silk	Cellulosic man-made fibres	Synthetic fibres	Total of man-made fibres	Total of all fibres
1960	787.9	14.76	1.50	42.50	..	42.50	847
	(93.0)	(1.7)	(0.2)	(5.1)		(5.1)	(100.0)
1965	939.2	18.13	2.15	74.40	2.87	77.27	1,037
	(90.6)	(1.7)	(0.2)	(7.2)	(0.3)	(7.5)	(100.0)
1966	900.9	16.60	2.05	77.87	4.47	82.34	1,002
1967	896.4	16.64	2.23	88.72	5.50	94.22	1,010
1968	960.9	18.55	2.32	99.57	9.99	109.56	1,091
1969	951.1	18.87	2.30	96.69	13.73	110.42	1,083
1970	964.8	19.57	2.26	101.13	15.86	116.99	1,103
1971	880.9	20.16	2.75	99.51	16.67	116.18	1,020
	(86.4)	(1.9)	(0.3)	(9.8)	(1.6)	(11.4)	(100.0)

Note : Figures in brackets are percentages to total.

dustry. Since wood pulp is still being imported from abroad, it is clear that, if the rayon spinning industry is to become self-reliant, it will have to develop or have access to adequate sources and capacities for producing pulp. Taking the lead in this enterprise, Gwalior Rayon started working on a pulp plant at Mavoor near Kozhikode in Kerala state in the course of 1959-60. The construction work on the project was completed and machinery installed by the end of 1963. To begin with, the production of paper pulp was started in January, 1963, with a view to training the workers for carrying out adjustments in machinery and equipment. The company was successful in producing rayon grade pulp from bamboo in the following year and this secured to it the distinction of being the first in the world to work out and perfect the technology for producing rayon grade pulp from soft or semi-hard woods as against the hard woods traditionally used abroad for making rayon grade pulp.

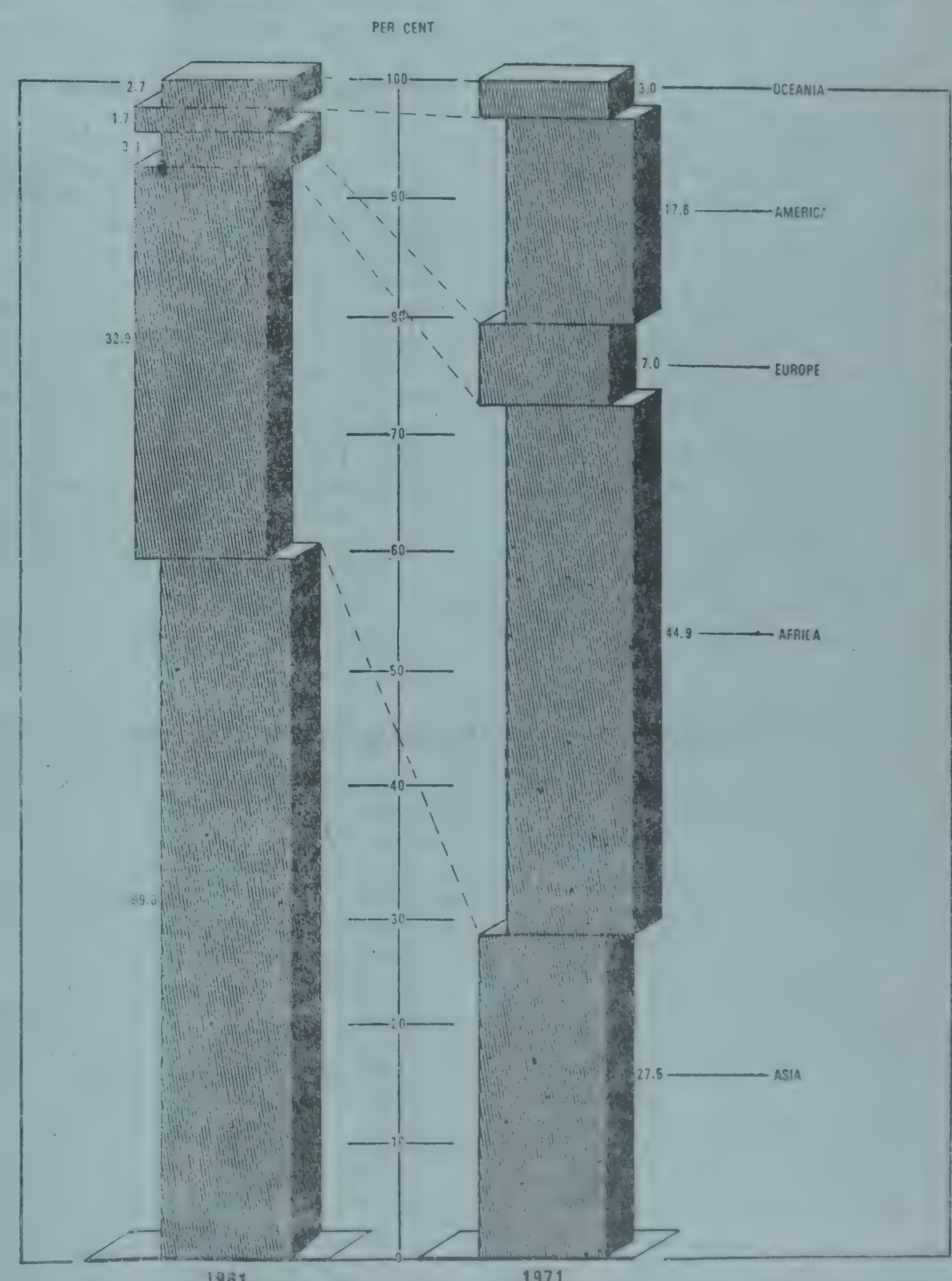
Saving on Imports

It is interesting to note that, even during 1964-66 the company was able to produce 7,500 tonnes of rayon grade pulp (besides 24,400 tonnes of paper pulp) thus saving the country foreign exchange to the extent of Rs 3 crores or about 85 per cent of the foreign exchange spent on the project. After February, 1965, the manufacture of paper pulp was completely stopped and the factory ran fully on rayon grade pulp. By the end of July, 1965, production increased to 125 tonnes of rayon grade pulp per day, a quantity which was sufficient at that time to keep the company's staple fibre plant at Nagda running fully without imported pulp. From then on the production of pulp increased further, and by 1968-69 the output had gone up to 60,900 tonnes.

Meanwhile, the company had been continuously experimenting with the utilization of eucalyptus and other species of wood in order to overcome the difficulties created by the inadequate and uncertain supplies of bamboo. It also successfully evolved a process know-how for using a wider variety of hard or semi-hard wood species with a judicious mixing of eucalyptus and bamboo. As a result, the production of rayon grade pulp, suitable for the manufacture of staple fibre, could be stepped up to 64,120 tonnes in 1970-71, although the production costs were rising on account of the higher consumption of chemicals necessitated by the utilization of mixed wood of more than 50 or 60 species. It was felt that there was scope and indeed need for Gwalior Rayon to put up another plant for manufacturing rayon grade pulp so that the country's dependence on imports could be further reduced. Steps were therefore taken in 1967-68 to set up a second plant at Harihar in Mysore state with a capacity of 100 tonnes per day. Work on this project was in full swing by 1969-70 and the production of rayon grade pulp was started in May, 1972 with the commissioning of one digester as part of a time-table for achieving the full production of 36,000 tonnes per annum by about March-April, 1973.

Apart from Gwalior Rayon, South India Viscose Limited is the only oth enterprise which has so far undertak to manufacture rayon grade pulp in t country. Moving in this matter in 196 this company arranged for the suppli of the necessary raw materials, namel eucalyptus and wattlewood, from t Tamil Nadu government forests and als concluded a collaboration agreeme with Italvascosa who had also been i collaborators in setting up viscose fila ment yarn and staple fibre faciliti This pulp plant went into production i December, 1969 and manufacture pulp suitable for staple fibre in t initial stages. In 1970 the productio of rayon grade pulp suitable for fila

INDIA'S EXPORTS OF MAN-MADE FABRICS : 1961 AND 1971



…yarn was taken up and the output …ed the rated capacity of 60 tonnes …ay in July of that year. The com… after meeting its own require… has been selling this raw material …other viscose spinners. Presently …any is producing 22,500 tonnes …pulp per annum out of which … tonnes are used in the manufac… of staple fibre and the balance of …0 is available for spinning filament

…vards Self-reliance

…he rayon industry's commitment to …rt substitution and self-reliance is …er brought out by the development …he domestic manufacture of plant …machinery. In the case of cellulo… …ibre industry, 90 per cent of the …e of the machinery is available from …enous sources and only the re… …ing 10 per cent in the form of …nted parts have to be secured …ugh imports. The country is thus al… …t self-sufficient in this respect and … some of the sophisticated items, …ch are now being imported, are …mpted to be manufactured within … country. In this area the leading …n spinners have played a sig… …ant role. They have well-organized … comprehensive engineering work… …ps in their own plants, engaged not … in routine maintenance but also in …dying problems and possibilities of …blishing indigenous manufacture of …chinery parts and components throu… … outside engineering firms.

… National Rayon, for instance, has …n continuously replacing imported …ns with indigenously fabricated com… …nents or parts. In this manner, local manufacture of items such as deaerators, dialysers, rotary vacuum filters, bleaching and drying machines, coning machines, major spinning machine parts, mercury cells for caustic soda plant, etc. Gwalior Rayon has taken a giant step forward in this direction and has a full-fledged engineering division at Nagda which is fabricating rayon and allied chemical plant and machinery. This division successfully manufactured a complete staple fibre spinning plant of 20 tons per day capacity in 1965-66. In the following year the division also undertook the manufacture of complete viscose filament plant and machinery. In 1972 the company was able to compete successfully against foreign tenders for the supply of complete plant, machinery and equipment to South India Viscose Limited. This project designed for staple fibre capacity of 20 tons per day is being executed on a turnkey basis.

A Matter of Know-how

In the matter of know-how too the rayon industry has quickly come of age. Although even the leading spinners had earlier availed themselves of foreign technical collaboration and thus drawn on the technology of the United States, West Germany, Italy and Japan, the industry is now in a position to expand existing cellulosic fibre plants or build new ones by drawing mainly on domestic sources of know-how or engineering expertise. A landmark in this area is the setting up of Birla Consultants Limited who are in a position to offer a wide range of consultancy and engineering services for the expansion of this and other industries.

It is a feature of the rayon industry that, because of its substantial consumption of several chemicals, many rayon spinners have found it both necessary and profitable to establish ancillary facilities for the manufacture of sulphuric acid, carbon disulphide, sodium sulphate and caustic soda. Since the economic scale of operations of these chemical plants normally involves outputs in excess of their own requirements, some production from these captive chemical facilities is available for sale in the market. Besides being a paying commercial transaction for the rayon spinners, these sales help augment the supply of important chemicals in the economy and thus assist in meeting the needs of other chemical-based industries.

III

As the above survey shows, the rayon industry has come to occupy a prominent and promising position in the industrialization of India under the five-year Plans. It grew quite rapidly from the very beginning, the production of viscose filament rayon yarn multiplying by 20 times in the 10 years between 1950 and 1960 and the production of viscose staple fibre going up by about nine times in the period between 1954 and 1964. The growth rate of viscose filament rayon yarn has been over 10 per cent per year in the period from 1961 to 1967 and the growth rate of viscose staple fibre about 14 per cent per annum from 1965 to 1970.

In more recent years, however, most sections of the cellulosic fibre industry have tended to stagnate. In the case of viscose staple fibre this halt is directly due to the government's indus…

Production and Consumption of Cotton and Man-made Fabrics in India

Year	Production (Million metres)				Consumption* (Million metres)		Per capita consumption (Metres)		
	Mill cloth	Handloom & powerloom	Total cloth production	Man-made fibre fabrics	Cotton** fabrics	Man-made fibre fabrics††	Cotton fabrics	Man-made fibre fabrics††	Total
1961	4,701	2,372	7,073	572	6,527	509	14.74	1.15	15.89
1966	4,239	3,097	7,336	853	6,874	812	13.78	1.63	15.41
1967	4,097	3,179	7,276	882	6,832	879	13.37	1.72	15.09
1968	4,366	3,530	7,896	993	7,400	976	14.12	1.86	15.98
1969	4,168	3,538	7,706	894	7,259	1,000	13.51	1.86	15.37
1970	4,157	3,692	7,849	933	7,480	1,005	13.59	1.83	15.42
1971	3,957	3,399	7,356	973	7,085	1,133	12.67	2.03	14.70
1972†	4,245	3,777	8,022	1,022	7,424	1,000	13.18	1.78	14.96

*Consumption = Production plus imports minus exports. **Produced in mill and decentralised sector. ††Includes art silk, synthetic fabrics and staple fibre fabrics. †Provisional.

trialization policy. The further expansion of this industry was in fact banned for some time and even when this prohibition was relaxed subsequently, the government would consider applications for setting up viscose staple fibre units only if entrepreneurs were willing to set up their own pulp plants. This was and is clearly an unreasonable proposition since a pulp plant, to be economical, will have to have a capacity of the order of at least 100 tons per day and this would mean that this plant could and should serve a number of staple fibre units each of which could utilize only a part of the output of a single pulp plant. A new viscose staple fibre unit will therefore have to be making a very heavy investment in setting up a pulp plant only a part of the output of which it could itself use. This condition, linking the establishment of new viscose staple fibre units with facilities for pulp making, is in any case an unnecessary one since it should be possible to interest existing pulp manufacturers in the expansion of their capacities. This apart, some rayon spinners, notably Century, National and Baroda have shown varying degress of interest in undertaking pulp projects and it is therefore only a question of the government coordinating its policies with their plans for augmenting the availability of rayon grade pulp in the country.

Enter Polynosic

It is also true that entrepreneurs could be persuaded to set up entirely new pulp plants once plans for the further expansion of the rayon industry are given firm shape and the state governments especially cooperate by following enlightened policies for the supply of wood from government forests. Meanwhile, one of the existing units, namely, South India Viscose, which has pulp-making facilities, has been permitted to expand its capacity for viscose staple fibre by 14,000 tons per annum, while a letter of intent has been issued to Modipon Limited for a new unit with a capacity of 27,000 tons per annum. A point of interest is that in both cases 50 per cent of the capacity sanctioned would be for a modified staple fibre, namely, polynosic staple fibre which is less absorbent of moisture and is better suited for blended fabrics.

While at the present level of production of staple fibre the country is self-sufficient in rayon grade pulp, the viscose filament yarn industry is dependent on imported supplies of pulp for most of its production. It is possible that, if this continues to be the case, the further development of the viscose filament yarn industry might face a major but not necessarily a decisive constraint. At the moment, however, the reason for the fall in the growth rate of this industry in recent years seems to be the reluctance of entrepreneurs to undertake new commitments because of the high capital cost of the plant. Unless the average selling price realized by the industry improves, the kind of expansion in rayon yarn production which the country will need in the coming years may not be realized.

Avoidable Imports

That the industry should indeed expand substantially and rapidly in the national interest is certainly not open to question. Even as it is, the country could make use of much more cellulosic fibres for its clothing needs than is available from domestic production. As a matter of fact, it has been importing viscose staple fibre to supplement domestic production, the foreign exchange spent for this purpose being Rs 3.26 crores on 8,681 tons of viscose staple fibre which were imported in 1971. The amount is not large but it is necessa to appreciate the fact that even t expenditure of foreign exchange cou easily have been avoided had the go ernment followed a more construct and realistic licensing policy for t part of the cellulosic fibre industry. V cose filament rayon yarn too is sim larly in short supply. The indigeno production of about 40,000 tons in t year 1972 has fallen short of the d mand from the weaving sector with t result that there is much under-emplo ment of capacity in the decentraliz powerloom and handloom sector. the light of the increase in textile pric following a rise in costs and a shortf in output of the cotton textile industr the faltering in the growth rate of t cellulosic fibre industry has been par cularly unfortunate.

There is however a profitable less to be drawn from this experience. It clear that the future growth of the c lulosic fibre industry will have to imaginatively formulated so that it hel to maintain a high level of emplo

Rayon Reinforces Cotton

Coarse and, to a lesser extent, medium cotton cloth is the common wear of the mass of the people in our country. As the lower income groups improve their earnings or seek to raise their standard of living, the demand for coarse and medium cotton cloth will necessarily grow. Unfortunately, the cost of cotton textiles has been rising fast and this trend is likely to be kept up or even further strengthened. This has a lot to do with the economics of raw cotton. As a commercial crop, cotton has to compete with other commercial crops for a share of agricultural land. Since rival crops such as oilseeds are becoming more and more remunerative, the raw cotton-grower will have to be allowed steadily rising returns if he is to be persuaded to stay in business. The consumer of cotton cloth will ultimately have to foot the bill. It is interesting to note that the wholesale price index for cotton cloth has risen by about 60 per cent in the case of mill-made fabrics and about 70 per cent in the case of handloom fabrics over the years since 1962.

To some extent the pressure on cloth prices could be eased if its supply could be expanded. Restraint could also be enforced if other clothing materials costing about the same as cotton textiles could be offered in quantities to the consumer. This is how or where rayon comes into its own. The wholesale price index for the "silk and rayon manufactures" group has gone up by about 21 per cent only since 1962. This is due primarily to the rapid growth of a relatively new industry, the production of which has steadily and substantially expanded within a short period. But there are grounds for believing that the rayon industry is and will continue to be more capable of controlling its costs than the cotton textile industry. This is for the simple reason that good forest management could expand the supply of wood pulp, which is the raw material for rayon, much more economically and efficiently than our peasant agriculture could step up the cultivation of raw cotton.

The Association of Man-Made Fibre Industry has estimated that one hectare of eucalyptus plantation would yield via pulp and rayon plant 2.25 tons of textile yarn and one hectare of bamboo plantation about half this quantity. Since the yield of cotton yarn from raw cotton grown on one hectare would be only 10.5 kg. this would mean that one hectare of forest land utilized for eucalyptus-based rayon grade pulp would release 200 hectares of land from cotton cultivation, and if bamboo instead of eucalyptus is grown, 10 hectares of land could be released from cotton cultivation for growing other agricultural products. It has been estimated that this country has 62.84 million hectares of forest land which can be commercially exploited. As against this, only about 120,800 hectares of forest land in terms of eucalyptus, or twice this area in terms of bamboo, may be needed for the adequate expansion of the rayon grade pulp industry over the next five years.

Everything would depend, however, on a sensible forest policy on the part of the central and state governments. The experience of pulp-based industries in this regard has not been very agreeable. In Kerala, for instance, land reform legislation ended arbitrarily and abruptly Gwalior Rayon's contractual rights to supplies from plantations in the development of which it had invested heavily. More recently, politics had entered noisily into the business of supplies of bamboo from government forests in Madhya Pradesh to a unit of the Orient Paper Mills in that state. If this development were to mark the beginning of a process of what is described as the "nationalisation" of forests, a large element of uncertainty and an even larger factor of inefficiency may be injected into the exploitation of the country's forest wealth for the development of pulp-based industries.

ernment and production in the vast decentralized weaving industry of powerlooms and handlooms which is dependent on it for its raw material, while supplementing effectively the output of the cotton textile industry in serving the improving clothing standards of a growing population. This position seems to have been generally appreciated or even accepted in principle, but the actual processes of formulating targets for the various sectors of the textile industry including both natural and man-made fibres or fabrics have not always conformed to the requirements of a proper evaluation of the place of the cellulosic fibre industry in this planning. One reason for this seems to be that the study groups or working parties, whether within the government or outside, which have been working on different sectors of the textile industry, have at least initially been interested primarily in pushing forward the claims for growth of the sectors in which their respective interests are most directly engaged. Thus, the claims of cotton textiles for expansion under the fifth Plan have been pressed at the expense of the claims of man-made fibres while, within the man-made fibre industry itself, there has been a clash of claims between cellulosic and non-cellulosic or synthetic fibres. In all this infighting the cellulosic industry seems to have initially lost ground, but this has subsequently been made good by the representatives of the industry coming forward to argue their case with firmness and clarity.

Not a Luxury

All the same, there seem to be quite a few prejudices in quarters, high or low, against the cellulosic branch of the man-made fibre industry. In the first place, there is an impression that this is a luxury industry and that since cellulosics are a part of the man-made fibre industry, they cannot be free from this 'taint' of non-essentiality. This impression is only party true. Synthetic fabrics are no doubt relatively expensive pieces of clothing. In the present state of our economy, only a small section of the population which is relatively better off, can afford to buy synthetic fabrics or garments. In the long run, however, synthetic fabrics are an economic proposition since they are inexpensive to maintain and at least twice as durable as cotton fabrics. But the initial investment needed for their purchase effectively places them beyond the reach of the bulk of the population. As the economy improves, levels of income go up in the rural sector and urbanization proceeds, more and more people may go

Rayon Tyrecord : Progress has Problems

The manufacture of rayon tyrecord is a specialised branch of the filament yarn industry. Out of the eight units engaged in this industry, two—Century and National — have taken up the manufacture of tyrecord. In addition Shriram Rayons is wholly engaged in the production of rayon tyrecord. Their aggregate licensed capacity is 20,000 tonnes per annum, but, on the basis of the policy of the government which allows 25 per cent extra production, the output could go up to 25,000 tonnes per annum. Actually, however, while some of the units have been able to produce in excess of the licensed capacity, the total production of the industry as a whole was only 19,185 tonnes in 1972 and even less in the preceding years. As a result, in the period from 1969 to 1972, the extent of under-utilisation of capacity has been varying all the way up from 25 per cent to 40 per cent.

There are more than one reason for this unsatisfactory state of affairs. In the first instance, the production of tyres in the country has been expanding far less rapidly than was anticipated. Again, the tyre industry has been frequently affected by labour trouble or other interruptions in production. Consequently the offtake of rayon tyrecord by the tyre industry has remained more or less stagnant, the quantity improving only slightly from 14,005 metric tons in 1969 to 14,725 metric tons in 1972.

Competition from nylon tyrecord, both from domestic production and through import, has been another powerful deterrent to the expansion of the rayon tyrecord industry. Indeed, it would appear that most of the increase in tyrecord consumption, involved in the expansion of tyre production from 39.76 million in 1969 to something like 52 million in 1972, seems to have been met by nylon tyrecord.

Nevertheless the relatively long-term outlook for rayon tyrecord is not exactly gloomy. Although the use of nylon tyrecord is spreading, it is being preferred largely for the manufacture of tyres for long-distance trucks, earth-moving equipment and aircraft. In the case of tyres for lighter vehicles, rayon tyrecord continues to have an advantage, since it is less expensive. As the production of light motor vehicles in this country is very restricted at present and is bound to grow in the future, the rayon tyrecord industry should be able to utilise its capacity more fully in the years to come.

Even otherwise rayon tyrecord manufacturers are already securing some relief through an increase in export demand for rayon tyrecord. Just as in the case of man-made fibre textiles, production in advanced countries has been shifting from cellulosics to synthetics, in the case of tyrecord also more and more nylon tyrecord is being produced abroad and less and less rayon tyrecord. This has given an opportunity to the Indian rayon tyrecord industry to cater to the demand in world markets. Century Rayon and Shriram Rayons in particular have been fairly active in the export trade in rayon tyrecord. They have been able to secure business in Australia, New Zealand, Austria, West Germany, France, Netherlands and some east European countries.

Exports consequently went up from 771 metric tonnes in 1969 to 2,437 metric tonnes in 1971. In terms of value, the increase was from Rs 48 lakhs to Rs 1.65 crores. In 1972, however, there was a decline in exports to 1,160 metric tonnes valued at Rs 83 lakhs. In the current year, the trend is again the upward. More important perhaps is the fact that the exporters are able to realize better prices. This should help to some extent because exports of rayon tyrecord have to be effected at prices much lower then those prevailing in the domestic market.

The prices which the industry can realise for rayon tyrecord from domestic consumers are therefore a very important factor in its economy. Nevertheless, these prices have been under constant pressure due to the fact that the rayon tyrecord manufacturers have been compelled to operate in a buyers' market. Under voluntary agreements made with the tyre industry, the tyrecord manufacturers have even been effecting reductions in prices in spite of the fact that the costs have been going up all round.

The long-term solvency of the rayon tyrecord industry would depend naturally on the growth of the automobile industry and therefore of the tyre industry in the country. A point in favour of rayon tyrecord manufacturers is that they have shown that they can make quality products at reasonable prices. It is on the basis of quality and price that they will have to compete with nylon tyrecord for their share of the market.

Meanwhile this industry seems to deserve certain reliefs. For instance, it is at present per-

Consumption of Various Types of Tyrecord for Automobile Tyres

(In tonnes)

Year	Cotton	Rayon			Nylon			Total for cotton, rayon & nylon
	Indigenous*	Imported	Indigenous	Total.	Imported	Indigenous	Total	
1965	1,400	1,400	7,500	8,900	848	...	848	11,148
1966	1,400	300	9,200	9,500	586	...	586	11,486
1967	1,316	...	9,788	9,788	850	...	850	11,954
1968	1,200	...	12,200	12,200	1,100	...	1,100	14,500
1969	1,000	...	14,600	14,600	1,300	...	1,300	16,900
1970	1,000	...	17,100	17,100	1,500	...	1,500	19,600
1971 (Estimated)	1,000	...	19,800	19,800	1,700	700	2,400	23,200

* No imports

Source: Silk and Art Silk Mills' Research Association

nitted to convert only 50 per cent of its production of tyrecord into fabric. There is a demand that it should be allowed to convert its entire production into fabric should it so desire. Incidentally there are two cotton textile mills in the country which are engaged in converting tyrecord into fabric at the instance of some tyre manufacturers. There is also a demand from the rayon tyrecord manufacturers that the import of nylon tyre yarn/cord should be banned. Actually these imports are allowed as replenishment against exports of nylon tyres by the tyre manufacturers. Since the domestic production of nylon yarn has been going up, the rayon tyre cord manufacturers are inclined to agrue that the import of nylon tyre yarn/cord could be stopped without affecting the availability of nylon tyres for export. In this context it is interesting to note that a study published in February, 1972 by the Silk and Art Silk Mills Research Association, Bombay, had these comments to offer on this export replenishment scheme:

"A tyre manufacturer gets import licence to the tune of 50 per cent of the f.o.b. value, the entire portion of wich can be utilised for import of nylon tyre yarn. A heavy duty tyre contains about 4 to $4\frac{1}{2}$ kgs. of nylon tyre yarn. The c.i.f. price of the same is around Rs. 10 per kg. Nylon content in a tyre thus is Rs. 40 to 45.

The f.o.b. value of nylon tyre varies between Rs. 275 to Rs. 500 depending on the size of the tyre, the average being around Rs. 400 per tyre. Thus, the tyre manufacturer is entitled under the existing scheme to import Rs. 200 worth nylon tyre yarn against actual requirement per tyre worth Rs. 40 to Rs. 45, which amounts to about 450 per cent. It may, therefore, be pointed out that the import of nylon tyre yarn under the existing export replenishment schemes is out of proportion to the export content of nylon tyre. Therefore, if import substitution should have any meaning in Indian economy, such undue encouragement should not be given to imports. It is of course reasonable to permit imports in the ratio of 1:1 plus wastage as export replenishment, in which case the tyre manufacturers would prefer to use only indigenous nylon tyre cord."

Since the tyre industry, both at home and abroad, has a preference for nylon tyrecord as against rayon tyrecord, it is obvious that the prospects for the expansion of the rayon tyrecord industry will have to be assessed on a conservative basis. This caution is all the more necessary since the domestic capacity for nylon tyrecord is also being expanded further. In fact, two of the three producers of rayon tyrecord are planning to set up nylon tyrecord plants and in the case of one of them substantial progress has already been made. In the circumstances, the real need of the rayon tyrecord industry is for consolidation. Two of the three manufacturers, having entered the industry earlier, need to make fresh investments for renewing or modernising plant and machinery. This operation should certainly receive precedence over any proposals for further expansion of capacity. As a matter of fact, even the maintenance of the production of rayon tyrecord at the existing level demands an immediate and substantial improvement in the profitability of this business. Manufacturers have not only not been able to pass on any of the burden of increased costs to the tyre manufacturers, but have also had to engage in uneconomic competition among themselves. In fact, an unhealthy situation seems to prevail in this industry and unless the prices of rayon tyrecord are stabilized at a reasonable level through cooperation between rayon tyrecord producers and the manufacturers of tyres, with or without the intervention of the government, the fairly heavy investment which has been made in the rayon tyrecord industry may well be jeopardized.

in for synthetic fabrics and garments. This in fact is a world trend and Indian developments too will no doubt share in this. Nevertheless, given the width and depth of Indian poverty, high-priced clothing materials must remain a semi-luxury if not a luxury article for some time to come.

People's Cloth

The position of cellulosic fibres, however, is quite different. Although somewhat less durable than cotton, rayon fabrics make up for this through their other attributes which qualify them as the poor man's silk. They also have a distinct price advantage over medium, fine or superfine varieties of cotton textiles. Rayon fabrics such as taffeta, satin and crepe are fancied widely among the lower income groups. In village communities in northern India, where rural incomes have improved as a result of the green revolution, these fabrics are widely popular among the womenfolk as preferred dress material. Since their prices vary from Rs 2.5 to about Rs 4 per metre, they appeal as a better bargain than cotton material, since even the price of bleached cotton long cloth is about Rs 3.50 per metre. In southern India the handloom industry has been specializing in the production of popularly fancied rayon sarees which are being marketed at between Rs 15 and Rs 20 per piece, a price range over which mill-made cotton sarees find it difficult to compete.

The impression that man-made textiles are expensive or cost more than cotton textiles, therefore, does not apply to rayon fabrics. They are therefore essentially the clothing material for the low income or lower middle income groups to whose clothing they bring some variety and perhaps glamour as well at no great additional expense. If it is granted that, in the fifth Plan period, the availability of essential articles such as clothing should be increased, particularly for the benefit of the 200 million people or so, whose income levels make them acutely price-conscious, it follows that the production of cellulosic fibres and fabrics should be expanded rapidly and substantially with a view to raising the per capita consumption of cloth by a growing population.

There is however a feeling particularly in the Planning Commission that, even if the man-made fibre industry is to be expanded substantially in the coming years, the emphasis should be on synthetics rather than on cellulosics. There is reason to suspect that this view has been unduly influenced by the fact that, in the developed countries, cellulosic fibres have been yielding ground to synthetics. But then, in the more affluent societies the levels of income are such that consumers are able and willing to make a relatively high investment in synthetic fabrics or garments especially as their durability renders this investment an economic proposition in the long run. The more affluent communities have a natural capacity for going in more and more for semi-luxury or luxury articles as part of the general pattern of rising standards of living. It should be borne in mind again that, thanks to the economies of large-scale production and lower tax incidence, synthetic fabrics or garments are not as expensive in the western communities as they are in India. Here uneconomic units of production combined with the declared government policy of taxing consumption particularly of articles used by the more affluent sections of the community are bound to restrict the offtake of synthetic and confine it to a relatively affluent section of the community which mus[t] remain limited in size for some years t[o] come.

A rather important consideration i[n] this discussion is that production of cel[l]ulosics in the developed countries ha[s] been decreasing faster than its consump[]tion. As their economy becomes mor[e] and more sophisticated, there is a conti[]nuous emergence of new high profitabi[]lity industries which tend to pull capita[l] enterprise and labour away from othe[r] industries which have a low profitabilit[y]. This trend has affected investment in th[e] cellulosic fibre industry in the develope[d] countries and there has been a shift [of] investment from this industry to synthe[]tics as well as other industries sportin[g] higher profitability trends. The logic [of] this development for world trade [is] that other countries which have or ca[n] build up cellulosic fibre industries ma[y] reckon on increasing export opportun[i]ties.

Export Outlook

Rather interestingly, the increase [in] the consumption of synthetic fabrics [in] developed countries or elsewhere invo[l]ves an increase in the utilization of ray[on] fabrics which are ideal material for li[n]ing. Developing countries such as Ind[ia] which have a substantial production [of] cellulosic fibres or fabrics and have cap[a]city for continuous expansion of outp[ut] are therefore well placed now to cash [in] on the situation and organize a stro[ng] long-term position in rayon expo[rt]. Right now there is an active demand [in] world markets for rayon yarn or fabr[ics]

nd the prices have been firming up. Rayon weavers have been able to take advantage of this position to some extent and raise the level of exports. If however they are to reap full benefits through the realisation of reasonable prices for their products in the export trade, they have to be assured of a stable and adequate flow of yarn from spinners and secondly they themselves will have to improve the quality of their m[illegible]acturing and processing techniques and standards. The case for a large and liberal expansion of the rayon industry in the coming years therefore stands firmly on its own merits.

This industry has developed in a ghly organized way as a complete industry with a high degree of self-reliance. Even its current considerable dependence on imported pulp is not serious subtraction from its basic lf-sufficiency since there are enough omestic raw material resources for e sufficient building up of a rayon ade pulp industry in our own ountry. While this capacity is being developed, the industry should be increasgly able to earn foreign exchange rough the export of fabrics paying for e import of pulp. Its production rovides the raw material for a large ecentralised weaving industry and is erefore employment-oriented.

Rayon fabrics supplement cotton xtiles in meeting the clothing quirements of the poorer sections the people in an inexpensive but reeable fashion. It helps to effect onomies in the consumption of cotton, th domestic and imported, and by en-ing the manufacture of blended or xed fabrics, cellulosic fibres integrate iciently and economically with cotton tiles as well as synthetic fabrics. Abo- all, the rayon industry in our country in a position to plan its further grow- in the context of a shift in produc-n from cellulosic fibres to synthetic res in advanced countries, resulting in opening up of export potentialities the Indian industry. By any reckon- then, it is in the interest of the intry that the rayon industry should allowed to grow to its natural limits hout artificial restrictions being plac- on it.

oo Many Cooks

Unfortunately, the rayon industry's ure has become involved in a ality of textile planning which being carried out at different ls under different jurisdictions and n different points of view. This crea- a fear at one time that the interests of rayon industry would get lost in the er textile debate. There has however been an encouraging development lately with the submission of a report by a sub-committee of the Development Council for Man-Made Textiles which has made a notable attempt to view the development claims of the cellulosic fibre industry in the right perspective.

On the assumption that the national income would increase at the rate of four per cent per annum during the fifth Plan, while the population would increase at 1.9 per cent per annum, and taking the income elasticity of demand for cloth as 1, this sub-committee has assumed that the per capita consumption of cloth (including cotton and man-made textiles) would increase from 16.28 metres in 1972-73 to 18.34 metres in 1978-79. These demand estimates would imply an increase in the production of cloth (including cotton and man-made textiles) from 9,301 metres to 11,717 million metres in this period. For export projections it has gone by the estimates of the respective Export Promotion Councils and has assumed the export targets at 1,000 million metres for cotton textiles, 195 million metres for cellulosic textiles and 50 million metres for synthetic textiles, making a total of 1,245 million metres.

According to these calculations the sub-committee has advised the following sectoral distribution of production capacity, with the recommendations of the Task Force on synthetic fibres indicated within brackets.

(Million metres)

	Internal demand	Export	Total production
Cotton	9,296	1,000	10,296
	(10,388)	(750)	(11,138)
Synthetics	786	50	836
	(1,300)	(50)	(1,350)
Cellulosics	1,635	195	1,830
	(1,304)	(50)	(1,354)
Total	11,717	1,245	12,962
	(12,992)	(850)	(13,842)

The estimate of total production of all textiles for 1978-79 made by the Task Force for the Synthetic Fibre Industry exceeds the estimate made by the sub-committee of the Development Council for Man-Made Textiles by 880 million metres, while the estimate of the total production of cotton textiles in 1978-79 made by the Task Force exceeds that of the sub-committee by 1,042 million metres. Considering the variabes involved, there is no justification for swearing

Point Counterpoint

Current discussions on textile planning for the fifth Plan suggest that perhaps prejudice exists in the Planning Commission and possibly elsewhere in the government against cellulosic fibres vis-a-vis synthetic fibres. It has been glibly assumed that the future in man-made fibres belongs to synthetics. The provocation for this belief is that, in the developed countries, cellulosics have been losing ground to synthetics. It is strange that politicians or their official advisers, who swear by planning for the welfare of the common man, should have overlooked the fact that the preference shown by affluent societies for synthetics only goes to prove that cellulosics are more in the nature of the poor man's clothing material. Syathetics no doubt play an increasingly large role in the textile economy of people at higher levels of income. By the same token cellulosics are well-suited to taking up a dominant role among man-made fibres in meeting the clothing requirements of the poorer communities. Certain categories of nylon fabrics are no doubt available at a range of prices comparing favourably with the prices of rayon or even cotton textiles. The production of these synthetic textiles therefore should be encouraged as part of a programme for making reasonably-priced cloth available in sufficient quantities for the mass of the people. As a matter of fact, there is an acute shortage of nylon yarn in the country at present and any expansion in its production should therefore be welcomed. But this expansion need not be at the expense of cellulosic fibres. There is scope for growth all round.

Those who ask for more synthetics at the expense of cellulosics plead that, with the prospective growth of the petrochemical industry in the country, the synthetic fibre industry is likely to become self-sufficient in raw materials more promptly than the viscose filament rayon yarn industry which is at present heavily dependent on imported pulp. Commenting on this view of the advocates of what is described as "the high synthetic route of meeting the gap in fabric demand", Mr Vinay K. Shah of Baroda Rayon and others have expressed the opinion that, on the basis of known plans, the availability of caprolactam and DMT is going to be behind schedule as well as very limited. As a matter of fact, difficulties are already being encountered or anticipated with regard to the sufficient availability of benzene for the manufacture of caprolactam which is expected to be initiated at the plant of Gujarat Fertilizers in the first quarter of next year. Meanwhile, Mr J.J. Mehta, Chairman of the Indian Petrochemicals Corporation, has disclosed that the DMT plant at Baroda which went into production last April and has reached 50 per cent of installed capacity, has already come up against a limiting factor in the form of inadequate supply of methanol. It follows that, unless the Planning Commisson or other policy making agencies in the government, are able and willing to back their enthusiam for synthetic textiles with an effort at coordinating properly the development of the petrochemical industry, that enthusisinsm may prove to have been misplaced.

by one set of these figures more than by the other. On a broad view of our experience of economic development so far, it would perhaps be safer to go by the lower targets, namely, those of the sub-committee of the Development Council for Man-Made Textiles. Such a proposition would be strengthened by the fact that the Working Group on Textiles set up by the Planning Commission has taken the view that the total production of textiles (including cotton and man-made fabrics) required to meet the anticipated demand, internal as well as for exports, at the end of the fifth Plan would be of the order of 12,010 million metres of which the share of cotton (including blends and mixed) would be 10,040 million metres.

For various reasons the availability of cotton textiles or the demand for them is unlikely to improve much ahead of the growth rate of 1.25 per cent per annum which has been established for the seven-year period from 1964 to 1970. The Working Group on textiles, however, has assumed a rate of annual growth of 2.5 per cent in cotton cloth. Here, much would depend on a steady and substantial increase in the domestic production of raw cotton and the emergence of the kind of economic climate which would stimulate and justify further large-scale investment in the modernisation or expansion of the cotton textile industry. My own view would be that, if cotton textile production manages to grow at about the same rate as the population in the coming years, it should be possible not to feel disappointed with the performance of this sector.

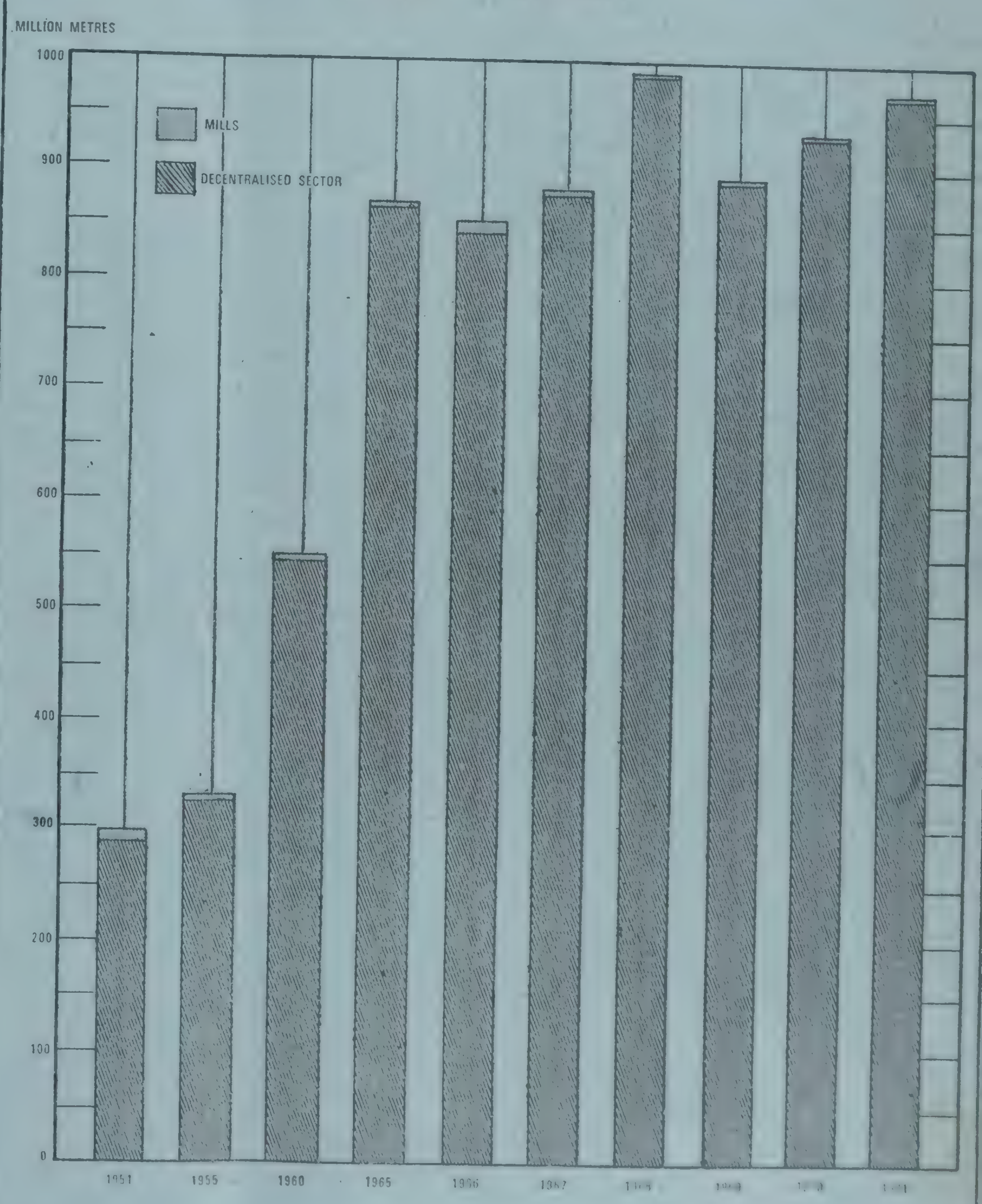
On the Safe Side

On this basis any improvement in the per capita consumption of textiles may have to be secured primarily through the expansion of production in man-made fabrics. It would therefore be safer to err on the side of liberality in fixing targets for the man-made fibre industry. After all the various studies and investigations which have been or are being carried out in this area of textile planning for the fifth Plan, it would be a pity if, even at this stage, a consensus is not reached on this basic point. Viewed in this light the sub-committee of the Development Council for Man-Made Textiles may be complemented on having attempted to create a reasonable degree of order out of an unreasonably large mass of chaos.

Keen as has been the debate on the roles to be assigned to cotton textiles and man-made fibres respectively in the fifth Plan, it has not been more controversial than the domestic quarrel within the man-made fibre industry itself over shares. Here, again, there has been, at least until recently, a strong bias in the Planning Commission in favour of synthetics as against cellulosics and this bias is perhaps reflected in the estimates of the Task Force on Synthetic Fibres. This body seems to be inclined to the view that, while it would be enough if the target for cellulosic fabrics is raised to 1,304 million metres as against an estimated production of 1,055 million metres in 1973-74, there is scope for fixing the target for synthetic fabrics at 1,300 million metres in 1978-79 as against an estimated production of 535 million metres in 1973-74. In other words, although the output of cellulosic fabrics in 1973-74 would be nearly tw[ice] as much as that of synthetic fibres [in] the same year, the Task Force wou[ld] propose that the production of synth[e]tic fabrics should virtually draw le[vel] with the production of cellulosics [in] 1978-79 at a point of 1,350 (synthetic[s]) 1,354 (cellulosics) million metres p[er] annum.

As the Task Force itself would a[p]parently put it, cellulosics should gr[ow] at a rate of 4.3 per cent per year whi[le] synthetics should move up at the ra[te] of 22.5 per cent per year. This recom[]mendation amounts in fact to the pr[o]position that the rayon industry shou[ld]

PRODUCTION OF MAN-MADE FIBRE FABRICS IN INDIA : 1951–1971



be allowed only marginal expansion in the next five years as a penalty for having grown so fast through the fifties or most of the sixties. Whatever may be the merit of this arithmetic in the abstract, the acute shortage of rayon yarn in the country at the present time, leading to much under-utilization of capacity in the weaving sector at a time when both internal demand and export possibilities are encouragingly dynamic, seems to have knocked the bottom out of this kind of conservative judgement on the future of the rayon industry. This has perhaps helped in a reasonable consensus being secured between the cellulosic and synthetic sectors in the man-made fibre industry under the aegis of the sub-committee of the Development Council for Man-Made Textiles. The sub-committee has worked out the requirements of different types of cellulosic and synthetic fibres or yarn on the basis of the targets it has favoured for the respective fabrics. These estimates have been made on the assumption that 80 per cent of the total production of viscose filament yarn would be available for fabric production and the remaining for other purposes such as hosiery, embroidery, ribbon, lace-making, tapes, webbing and glass mantles.

Targets for 1978-79

According to these calculations the production of viscose filament yarn is to be built up from 39,600 tonnes in 1972 to 65,000 tonnes by 1978-79. Out of these 65,000 tonnes, 55,250 would be available for the production of apparel fabrics to the extent of 553 million metres. Viscose staple fibre will go up in output from 70,338 tonnes in 1972 to 180,000 tonnes by the end of the fifth Plan, making available 160,000 tonnes for fabric production of the order of 1,232 million metres. The production of acetate filament yarn or staple fibre was of the order of 2,093 tonnes in 1972 and this is to go up to 5,000 tonnes, releasing 4,500 tonnes for fabric production at a level of 45 million metres. On this basis the total production of cellulosic fabrics would increase from over 1150 million metres as at present to 1,830 million metres in the fifth Plan. This would give an average rate of growth of about 13 per cent per annum for the cellulosic fibre industry, a projection which is not at all unreasonable whether in terms of the performance of this industry in the past or the prospects for it in the future.

On the basis of the above calculations there would be a gap of the order of about 27,000 tons between the installed capacity for viscose filament yarn as in 1972 and the increased capacity which will have to be established by 1978-79. Actually, however, the gap would be less wide since the actual production in some of the units in the industry is in excess of the installed capacity. The government has permitted manufacturers to step up production up to 25 per cent above installed capacity and at least one of the units, namely, Century Rayon has been able to do better than this and has shown that it could produce up to 150 per cent of its capacity. In view of the needs of expansion which the rayon industry faces, it would be logical for the government to regularize the whole of this excess of production so that the installed capacity could be utilized to the maximum. This is a matter to which the highest priority needs to be given especially in view of the shortage of rayon yarn in the country.

Secondly, out of the eight units in the industry, six have installed capacities lower than the economic minimum of 15 tonnes per day. This position needs to be corrected if the industry as a whole has to stabilize itself at reasonable levels of efficiency or economic functioning. It should therefore be a major purpose of government-industry planning to ensure that the smaller units step up their capacity partly to reach an economic scale of operations and partly to make their contribution to the expansion of the industry as a whole. For the rest, it must be carefully considered whether the setting up of new unis in this industry should continue to be subject to industrial licensing. Here perhaps is an area where governm[illegible] could, at least as an experimental me[illegible] sure, adopt for a period the policy [illegible] suspending licensing requirements [illegible] restrictions with regard to new uni[illegible] Even then it would be able to exerc[illegible] reasonable regulatory authority over t[illegible] progress of the industry through t[illegible] MRTP Act or the licensing of impo[illegible] of capital goods.

Investment Needs

It has been estimated that the e[illegible] pansion of the viscose filament ya[illegible] industry in the fifth Plan would invol[illegible] a capital expenditure of Rs 60 cror[illegible] While this scale of investment may [illegible] forthcoming if the conditions are rig[illegible] it is hardly likely that investors or e[illegible] trepreneurs would be falling over o[illegible] another in financing new rayon uni[illegible] The removal of this industry from i[illegible] dustrial licensing requirements for [illegible] period is an exercise which can the[illegible] fore safely be undertaken and, if nec[illegible] sary, some broad supervision may [illegible] exercised on the implementation of pr[illegible] jects so that there is no danger of exce[illegible] capacity being created in a socia[illegible] wasteful manner.

As for viscose staple fibre, in view [illegible] the increasing popularity of blended fa[illegible] rics—a trend which, incidentally, wou[illegible] relieve the pressure on cotton—the cap[illegible] city of this section of the cellulosic fib[illegible] industry will have to be at least doubl[illegible] during the fifth Plan. As has been me[illegible] tioned earlier, in addition to the exi[illegible] ing installed capacity of 82,000 tons p[illegible] annum, 41,000 tons more have been san[illegible] tioned. This additional capacity inclu[illegible] es 20,500 tons of polynosic staple fib[illegible]

Present Licensed/Installed Capacity for Cellulosic Fibres

Type of yarn/fibre	No. of existing units	Licensed capacity (Mln. kgs)	Installed capacity (Mln. kgs)	Additional licensed capacity under implementation (Mln. kgs)	Capacity covered under letters of intent (Mln. kgs)	Total (4+5+6) (Mln.kgs.)
1	2	3	4	5	6	7
Viscose filament yarn	8	40.5	37.90	..	..	37.90
Viscose staple fibre	2	N.A.	82.00	14.00	27.00	123.00
Viscose tyre yarn	3	20.00	19.00	..	..	19.00
Acetate filament yarn/fibre	1	5.40	3.20	..	..	3.20

staple fibre is to play its full part in e expansion of the production of ended fabrics as an increasingly im- rtant element in the textile structure this country, the share of polynosic d high-wet modulus fibres in the total llulosic staple fibre production should increased as a deliberate policy.

owards Quality

This would mean that, apart from w units in this sector of the cellulosic re industry devoting more and more their capacity to the production of ese improved fibres, the existing manu- cturers of viscose staple fibre should o switch over some of their capacity the manufacture of polynosic or high- t modulus fibres. A substantial shift the modified staple fibres would be rthwhile in spite of the fact that the eign exchange expenditure on projects this area would be about 30 per cent the overall investment as against 10 r cent in the case of the normal vis- se staple fibre. On the assumption at out of the further expansion to be nned for this industry 46,000 tons uld be normal staple fibre and 45,000 s polynosic or high-wet modulus sta- fibre, the total investment needed s been estimated at Rs 55 crores lusive of the foreign exchange com- nent of Rs 11 crores. Incidentally, sub-committee of the Development uncil for Man-Made Textiles has ac- pted the view that there is good pros- ct of export of spun rayon fabrics at rate of about 84 million metres by 1978-79. On this assumption the expenditure of foreign exchange needed for the expansion of the staple fibre industry may be regarded as an attractive investment.

Profit Allocation Ratios

	Tax provision as % of profits before tax		Dividends as % of profits before tax		Profits retained as % of profits before tax	
	Silk and rayon textiles	All industries	Silk and rayon textiles	All industries	Silk and rayon textiles	All industries
1965-66	53.6	50.0	22.9	31.4	23.5	18.6
1966-67	53.9	47.8	16.8	31.3	29.2	20.9
1967-68	50.0	49.4	19.0	36.1	31.0	14.5
1968-69	41.2	49.5	20.4	36.8	38.3	13.7
1969-70	43.2	43.7	18.3	32.2	38.5	24.2
1970-71	50.9	45.9	18.2	30.8	30.9	23.3

IV

The rapid growth of any industry is conditioned to a very considerable extent by the expectations of entrepreneurs regarding its continued profitability at a reasonable level. The more attractive the prospects for an investment appears, the more likely it is that resources, whether physical, financial or human, will be diverted in that direction. As one of the younger growth industries of the post-independence period, the rayon industry has had a relatively favourable profit experience. Whether as a percentage of sales or as a percentage of total capital employed, "silk and rayon textiles", as grouped by the Reserve Bank, has been earning profits higher than those relating to industries as a whole in various years. In 1965-66, for instance (as the Reserve Bank study, which covered 1,501 selected medium and large non-financial non-government public limited companies, has it), 16 companies falling within the "silk and rayon textiles" group reported gross profits of 17.6 per cent of total capital employed as against 10.1 per cent for all industries. In 1970-71 the corresponding figures stood at 19.8 per cent and 10.4 per cent respectively. Thanks to this encouraging earnings experience, the silk and rayon textiles group, again according to the Reserve Bank study, was able to conserve 23.5 per cent of profits before tax as retained profits in 1965-66 as against 18.6 per cent for all industries. In 1970-71 the corresponding figures were 30.9 per cent and 23.3 per cent respectively.

Profitability Ratios**

	Gross profits as percentage of sales*		Gross profits as percentage of total capital employed		Profits after tax as percentage of net worth	
	Silk & rayon textiles†	All industries††	Silk & rayon textiles†	All industries††	Silk & rayon textiles†	All industries††
1965-66	19.2	10.7	17.6	10.1	14.3	8.9
1966-67	22.8	10.5	21.9	9.8	18.5	9.1
1967-68	21.6	9.2	19.9	8.6	17.4	7.3
1968-69	18.8	8.8	17.5	8.5	17.4	7.0
1969-70	20.8	9.6	18.1	9.6	17.7	9.5
1970-71	22.1	9.9	19.8	10.4	16.3	10.1

*Net of rebate and discount and excise duty and cess.

†Sixteen companies have been covered under the study.

††1501 companies have been covered under the study.

**Based on the Reserve Bank study of 1501 selected medium and large non-financial, non-governmental public limited companies each with a paid-up capital of Rs 5 lakhs and above.

Pressure on Profits

The indications, however, are that the rayon industry cannot afford to be complacent about future profitability trends. A study of eight companies in the cellulosic sector by the *Financial Express*, Bombay, in November, 1972, showed that the return on capital employed had come down to 16.7 per cent in 1971-72 as against 19.9 per cent in 1970-71. A serious complication in the years ahead would be the higher profitability of the synthetic fibre sector as against the cellulosic sector. Even as it is, within the man-made fibre industry, investment or entrepreneurial resources are definitely inclined to move towards the manufacture of synthetic fibres rather than cellulosic fibres. So far as the existing plants (which had been ins-

talled when capital costs were lower and the plant and machinery of which had been depreciated over the years) are concerned, they will no doubt be able to function in a somewhat advantageous position since something like a sellers' market may continue to prevail for cellulosic fibres so long as sufficient additional capacity is not created. But where the expansion of existing plants or the establishment of new ones is involved, the sharp increase in the capital outlay required for these purposes will surely prove a decisive deterrent unless the profit outlook is sufficiently reassuring.

Horns of a Dilemma

This consideration would apply with special force to the expansion of capacity on the part of the smaller units in the industry which number as many as six out of the total of eight. They are indeed impaled on the horns of a dilemma. At least three of them must immediately step up their capacity substantially if they are to become economically viable. But they may not be in a position to take the needed management decisions unless they are reasonably certain that the price and proifit possibilities of the industry would justfy the additional investment. In other words, these units are under a compulsion to attempt to achieve the economies of relatively large-scale production. At the same time, they are not by any means sure that these economies will be able to offset any deterioration in their earnings due to unfavourable price or profitability experiences in the future.

I have referred earlier to the escalation of costs of plant and machinery. This factor would no doubt affect the setting up of entirely new plants more than it would the expansion of existing units. Even so, the smaller units in the industry with limited resources will have to think twice—in the same way as the sponsors of entirely new units would — about investing further in this industry merely on the historic basis of a favourable profit experience for the industry in the past. Another cause for concern is the rising trend in the price of pulp. Recently world prices of pulp have gone up, and given the fact that the world production of rayon grade pulp may decline rather than move up, India may well have to pay more for imported rayon grade pulp than it already does.

The intervention of the STC as the agency through which imports have been canalised has not helped matters. On the contrary, the commission of 7.1 per cent charged by it is so exorbitantly high as compared with the industry's own cost for direct procurement before canalisation of less than 0.5 per cent that the expenditure of rayon spinners on their main raw material has been avoidably and even unjustifiably forced up.

In the case of the domestic pulp available for rayon spinners, its price too has gone up, partly in response to the increa in world prices of pulp and partly beca of the additions to the landed cost of im ported pulp as a result of the STC's "se vice" charge and the increase in the im port duty on pulp in this year's centr budget. As for the expansion of produ tion of pulp within the country, whether substitute for current imports of pulp to meet the requirements of an expandi cellulosic fibre industry, there is no guara tee at all, in the first place, that the add tional supplies would be forthcomi promptly or in adequate measure. Mu would depend, naturally, on the positi steps taken by the central and state gover ments to harness the various resource actual or potential, for building up t raw material base for the pulp industr Again, assuming that the domestic pr duction of pulp is increased, there is knowing at what cost this pulp would produced or at what price it would be so to the spinners.

Basis for Growth

It follows that the problems created the increased capital outlay required new plant and machinery or the unce tainties regarding the availability or co of rayon grade pulp should be taken no of and dealt with before the rayon indust could at all feel confident about the econ mic basis for its further growth. Espe ally after the central government's decisi to discontinue the development rebate has become absolutely essential that som

Imports of Man-made Fibres into India

(Thousand kgs)

Year	Yarn				Staple				
	Cellulosic yarn			Non-cellulosic yarn	Cellulosic	Non-cellulosic staple fibre			
	Cupramonium rayon yarn	Viscose filament yarn	Acetate filament yarn	Filament yarn*	Viscose acetate staple fibre	Nylon staple fibre	Polyester staple fibre	Acrylic, polypropelyne, P.V.A., P.V.C. etc.	Total (yarn & staple)
1962	3,474	8,835	1,332	3,628	18	69	72	1,199	18,627
1965	801	211	297	5,061	161	309	1,406	452	8,698
1966	45	284	14	4,496	17	211	360	357	5,784
1967	17	4	6	3,750	13	510	346	1,014	5,660
1968	60	1	..	3,089	..	168	476	722	4,516
1969	25	14	..	2,210	..	121	939	784	4,093
1970	..	..	..	2,969	5,388	130	2,589	1,285	12,361
1971	..	..	..	5,150	10,193	144	3,821	2,741	22,049

*Includes nylon, acrylic, polyester, polypropeylene, PVC and PVA filament yarn etc.

fiscal scheme should be devised for taking care of the special problems of industries such as rayon which cannot create substantial additional capacity unless the burden of high capitalization is lifted from their future earnings at least partially. Equally important is the need for the formulation, declaration and effective implementation of a forward-looking forest policy at central and state levels which would make it possible for plantations to be developed and managed on scientific lines for the use of the pulp industry.

Prices the Crux

Ultimately, however, the profitability prospects and consequently the further growth of the rayon industry would depend essentially on the prices at which it is able to sell its products to the weaving sector. It was noted earlier that, historically, the rayon industry, unlike the cotton textile industry, had developed not in terms of composite units but in terms of separate spinning and weaving sectors. This has necessarily meant that, in matters such as prices or distribution, the spinning and weaving sectors in the rayon industry have had to cooperate with each other in full awareness of a mutuality of interests. It is good to note that, on the whole, this kind of rationality has been the rule rather than the exception in inter-sectoral dealings in this industry.

It is true that, when the market has been slack, the weavers have not awlays been enthusiastic about lifting yarn. On the other hand, the spinners have not been above playing with deliveries when market conditions veer round in their favour. As a matter of fact, charges and counter-charges have been not uncommon and the intervention of the Textile Commissioner or higher authorities in government has been periodically sought by one or the other party. Rather interestingly, the weaving sector feels or professes to feel that its decentralized character places it at a disadvantage in bargaining with the well organized, and particularly the larger spinning units. As against this, the spinners are eloquent about their apprehensions that the dice is almost always loaded against them because of the political support or sympathy which the decentralized weaving sector is able to arouse among the public or elicit from the government.

Nevertheless, the fact remains that, despite inquiries by the Tariff Commission or other attempts by the government to regulate the commercial relations between the spinners and the weavers, the two sections have so far been able to relate to each other mainly in terms of voluntary agreements on prices or allocations. The essence of these agreements which apply to filament yarn has been that the spinning sector consents to provide and the weaving sector agrees to lift a certain percentage of fibre production at a negotiated price. Incidentally, an additional percentage of fibre production is made available by the spinners to the exporters of rayon fabrics at a specially low rate.

This working relationship between the spinning and weaving sectors came under great pressure recently when due to a shortage of rayon fabrics their prices shot up. The spinning units began to argue that they were entitled to a share of the financial advantages accruing from the sellers' market especially as their costs had been rising sharply. The smaller spinners in particular were convinced that, in their case, the increased costs and other special factors such as shortfall in production, due to labour trouble or the power cut, had made it impossible for them to stay in business unless they were able to improve their earnings to the extent permitted by market conditions. The weavers, for their part, were agitated over what they regarded as an attempt on the part of the spinning sector to exploit the sellers' market for yarn by forcing a review of current contractual obligations. The good offices or even the intervention of the Textile Commissioner or the central government was sought by one or the other party concerned and the situation took an unwholesome turn some time ago when it was b freely said by both protagonists to the pute that perhaps control of prices distribution by the government migh the only way out of the impasse.

Fortunately, better counsels were n entirely wanting and all the time an ef was being made to protect or promote philosophy of bipartite negotiations voluntary agreements which had bec a historic feature of the relations in industry. The question of the quant of relief to which the spinning indu would be entitled on account of the creases in costs was referred by mut agreement to an investigation by a w known firm of chartered accountant Bombay. Finally, earlier this mon a revision in prices in respect of the p centage of yarn production to be delive to the weavers under the voluntary agr ment was settled in a spirit of give-a take.

Smaller Units

It is possible that the high premi which the spinning mills could comma on free sales of part of their product had reconciled them to accept a mu lower increase in prices for the supp being made to the weavers under agr ment than was perhaps justified by creases in costs. Even so, the smaller un in the industry seem to feel that they wo continue to be under great financial pr sure since the uneconomic scale of th

India's Exports of Man-made Fabrics (Assortment-wise)

(Rs crores

Fabric	1965		1970		1971		1972-7
	Value	%	Value	%	Value	%	Valu
Filament rayon	2.29	53.7	2.30	53.8	3.96	55.0	6.31
Spun rayon	0.48	11.2	0.31	7.3	0.46	6.4	0.40
Synthetic fabrics	1.18	27.6	0.64	15.0	1.87	26.0	
Mixed fabrics	0.32	7.5	1.02	23.9	0.91	12.6	
Total	4.27	100.0	4.27	100.0	7.20	100.0	

Exports of Man-made Fabrics from India (Zone-wise)

(Rs crores

Zone	1961		1965		1970		1971	
	Value	%	Value	%	Value	%	Value	%
Asia	3.08	59.6	1.83	42.8	1.87	43.7	1.98	27.5
Africa	1.70	32.9	0.85	19.9	1.07	25.5	3.23	44.9
Europe	0.16	3.1	0.86	20.1	0.45	10.4	0.50	7.0
America	0.09	1.7	0.59	13.7	0.72	16.8	1.27	17.6
Oceania	0.14	2.7	0.15	3.5	0.16	3.6	0.22	3.0
Total	5.17	100.0	4.28	100.0	4.27	100.0	7.20	100.0

ations does not enable them to ca[illegible] [illegible] more on free sales and thus [illegible]nsate themselves for the limited in[illegible] in prices for deliveries under the [illegible]ement. The whole scheme of quotas [illegible] prices, however, is to be renegotiated [illegible]e end of this year so that a new agree[illegible]t effective from January, 1974 could [illegible]eached on the basis of more stable [illegible]ket conditions and in the light of the [illegible]imate claims or counter claims of the [illegible] sectors.

[illegible]he current agreement, which was made [illegible]he 16th of February, 1972, with retros[illegible]ive effect from the 1st of January, [illegible]2, is expected to remain operative up [illegible]he 31st of December, 1973, unless in [illegible] meanwhile the report of the Tariff [illegible]nmission in respect of viscose fila[illegible]nt yarn is implemented by the govern[illegible]nt of India. This agreement requires [illegible] each viscose spinner shall reserve 10 [illegible] cent of his entire production to be de[illegible]red in first quality only as replenish[illegible]nt against export of viscose filament [illegible]rics as per separate agreement to be [illegible]ered into between the viscose spinners [illegible] the Silk and Rayon Textiles Export [illegible]motion Council. Over and above this [illegible] per cent, the spinning industry, com[illegible]sing eight units, would hand over 60.5 [illegible] cent of its total production to the actu[illegible] users.

[illegible]fferent Quotas

[illegible]This 60.5 per cent would be the ave[illegible]e of different quotas fixed for different [illegible]nners. Thus, in the case of Century [illegible]yon and National Rayon the percen[illegible]e is stipulated at 69.14 of their respec[illegible]e outputs of all deniers and qualities [illegible]nufactured. In the case of Baroda [illegible]yon, Kesoram Rayon and South India [illegible]cose, the corresponding share is fixed [illegible]57.62 and in the case of Indian Rayon, [illegible]avancore Rayon and J. K. Rayon at [illegible]33 per cent. The viscose spinners are [illegible]e to use their own discretion for sale [illegible] the open market of the remaining [illegible]antities that may be available with [illegible]m.

[illegible]The selling prices agreed for the [illegible]rcentages of production specified in this [illegible]reement were different for different [illegible]niers, the ex-factory selling price (inclu[illegible]e of current excise duties) being [illegible] 14.35 per kg in the case of yarn of [illegible] denier, the rate exclusive of excise [illegible]ties working out to Rs 10 per kg. [illegible]uth India Viscose however has been [illegible]owed to charge 50 paise more per kg [illegible]n these scheduled prices in view of the [illegible] that they use indigenous pulp only [illegible]d this has affected their manufacturing [illegible]t. It has been provided that should [illegible] other viscose spinner use fully or partly indigenous pulp, his prices of viscose filament rayon yarn will be equally or proportionately increased.

A supplementary to this main agreement took note of the fact that the then current excise duty tariff on viscose filament yarn made a distinction between group A consisting of the larger units of viscose spinners, namely National Rayon, Century Rayon, South India Viscose and Kesoram Rayon, and group B consisting of the smaller units, namely Baroda Rayon J. K. Rayon, Indian Rayon and Travancore Rayon. The excise duty collected on the production of group B was fixed lower in respect of each denier than the rates applicable to group A. The central budget for 1973-74, however, has withdrawn this concession for the smaller units. In order to compensate smaller spinners for this loss of excise duty concession, the actual users agreed to an

Tariff Commission on Cellulosic Fibres

The Tariff Commission in its report submitted in March, 1970 and presented to parliament by the Commerce minister earlier this week has recommended that the fair selling price for viscose staple fibre of 1.5 denier may be fixed at Rs 4.11 per kg for Nagda (Gwalior Rayon) and Rs 4.30 per kg ex-godown at Coimbatore (South India Viscose and Gwalior Rayon's Mavoor Plant). In addition, an amount of Rs 0.04 per kg in the case of the largest unit (Nagda) and Rs 0.05 per kg in the case of the other two units has been allowed on an *ad hoc* basis to meet the increased cost of certain items other than caustic soda, and of freight, under the "recent" budget proposals.

In considering the rate of return, the Tariff Commission took note of the fact that the main producer, with two units under his control, had an aggregate capacity which was about 17½ times that of the other company. The ration of capital employed to cost of sales was 1:2.19 and 1:0.48 respectively. On this basis as well as in the light of the fact that the main producer had made substantial profits, namely about 30.4 per cent on capital employed as against 12.6 per cent by the other company, the Tariff Commission suggets that the margin of returns should in equity be somewhat lower in the case of the former than in the case of the latter. It has therefore allowed only 12.5 per cent by way of return on capital employed for the main producer and 15 per cent to the other company.

In the case of viscose filament yarn, the fair price has been based on the average cost of the three most efficient producers subject to suitable adjustments for the others. The fair price thus arrived at is Rs 9 per kg ex-destination main distribution centres for 120 denier first quality bright yarn in cones. This price should be applicable uniformly to all producers. Adding a small *adhoc* provision of 5 Paise per kg on account of the impact of the recent budget proposals and a further 5 Paise per kg. also *ad hoc* which the Commission has made for development expenditure, the final price comes to Rs 9.10 per kg.

The Commission has recommended the following differentials for 75, 100 and 150 deniers (which, along with 120 denier, account for a major share of the total production of the industry).

		Differential over 120 denier (for bright yarn) Price per kg
75 denier	(Plus)	2.25
100 denier	(Plus)	0.75
150 denier	(Minus)	0.50

The other deniers are to be allowed to compete freely with each other in the market. There is to be an extra for dull yarn at 15 Paise per kg. Coloured yarns are to be left to the operation of the market forces for the time being.

The Commission has taken the capital employed as a basis and provided a return at 15 per cent thereon.

The fair price for acetate yarn of 150 denier, bright cones, first quality, is recommended at Rs 13.85 per kg. The price for acetate staple fibre dull quality, is assessed at Rs 13.90 per kg. In addition, the Commission has prpposed differentials of Rs 1.13 for cones and Rs 0.91 for hanks per kg of denier 100 and Rs 0.41 for cones Rs 0.30 for hanks of denier 120. Other deniers as well as acetate staple fibre, it is recommended, may be permitted to be sold in the open market in competition with viscose products. It is assumed that these prices would give the manufacturer a gross margin of 15 per cent on capital employed.

The prices recommended are for a period of two years ending 31st March, 1972 and are exclusive of excise duty and other state levies. The Tariff Commission has made two interesting points. It notes that, while in the UK and the USA, the prices of viscose filament yarn have moved up continuously, the price of viscose filament yarn in this country was only two per cent higher in 1970 than that prevailing seven years earlier. In the case of staple fibre, however, prices in the UK and USA were almost the same in 1970 as those ruling ten years earlier, but in India they had moved up gradually. The indigenous price of acetate yarn is higher than the price of corresponding denier of viscose yarn, whereas it is the other way about in the USA. The internal selling prices of staple fibre and filament yarn were found to be lower in India than in Britain or the USA although these industries had become well-established on a much larger scale in the latter countries.

increase in the price payable to the spinners, this increase being in the nature of a reimbursement of 75 per cent of the concession in the excise duty withdrawn in the budget of 1973-74.

The revised selling prices for actual users agreed to earlier this month, provided for an increase of Rs 1.72 per kg over the prices specified in the agreement of February, 1972. This increase includes a raise of 30 paise sanctioned earlier as an *ad hoc* increase, which is now regularized, and a further amount of 42 paise per kg intended to cover the post-budget escalation in cost. In the case of Baroda Rayon a special addition of 15 paise per kg has been allowed on account of an increase in electricity duty. So far as the smaller spinners are concerned, the reimbursement of 75 per cent of the concession in the excise duty withdrawn in the budget of 1973-74 is to continue apart from the above revisions in the schedule of prices.

Incentive Needed

As against the general increase of Rs 1.72 per kg which the spinners have now gained, they had earlier asked for an increase of Rs 3.50. It is obvious that the debate will be resumed and the bargaining renewed when the current agreement expires and a new one is negotiated for the period from January, 1974. Apart from the issue of prices, the spinners are also keenly interested in securing an increase in the percentage of their production which they should be free to sell in the open market. At the very least they would expect that the whole of any additional output they may register over and above a basic period should be allowed for free sale. The weaving sector seems to realise that some such incentive would be necessary if output is to expand and the yarn shortage is to be relieved. It appears that, as at present, the weavers are prepared to talk in terms of about 75 per cent of the additional production being allowed for free sale.

It is possible that the smaller units may argue that they should be treated on an entirely different footing in comparison with the larger spinners. Some of them question the fairness of their being required to sell any part at all of their production at prices lower than what they could obtain in the open market. They also contend that their contribution to the pool is in any case so small that it could easily be dispensed with if the larger spinners would agree to increase slightly their own percentage of sales at agreed prices. The larger spinners for their part do not see any reason why they should be penalised for their efficiency or lower costs. It is possible that much of the heat will disappear from all this discussion once prices in the open market reach reasonable stability. Already, following the revision of agreed prices for actual users, the prices for free sales, reported around Rs 30 per kg for yarn of 120 denier, seem to be easing. If speculative prices or other malpractices decline in the distribution of yarn to actual consumers, the price position is bound to become healthier although, given the shortage of rayon yarn, the difference between negotiated prices and prices for open sales is bound to remain appreciable. It has therefore become more important than ever that the spinning and weaving sectors of the industry should both become realistic and forward-looking and work for continuing cooperation between themselves on the basis of a price-and-distribution policy which, while safeguarding employment and production in the weaving sector, would take note of the special needs of the smaller spinning units and, more important still, bring about a climate of expansion in the spinning industry as a whole through additions to existing capacities as well as the creation of new manufacturing facilities.

V

The separate agreement entered into between the Association of Man-Made Fibre Industry (representing the spinners) and the Silk and Rayon Textiles Export Promotion Council provides, as was noted earlier, for 10 per cent of the production of first quality yarn to be supplied in replenishment against exports. The replenishment entitlement is on the basis of 1.20 kg against each kg of exported rayon content and the prices negotiated for this purpose are lower than those specified under the general agreement between spinners and actual users. Thus whereas the price of yarn of 120 denier fixed under the general agreement, worked out to Rs 10 per kg, exclusive of excise duties, prior to the recent revision of prices specified in this agreement, the corresponding rate for yarn given in replenishment against exports was only Rs 7 per kg in the case of 120 denier. In the wake of the increase of Rs 1.72 per kg agreed to between spinners and actual users earlier this month, the price of yarn given in replenishment against exports has also been increased, but only by 82 paise per kg.

International Prices

Due to the major producing countries having withdrawn in a large measure from the manufacture of rayon yarn and rayon fabrics, those countries which are importing rayon yarn or rayon fabrics are seeking supplies from other countries including India. As a result, the export demand for both rayon yarn and rayon fabrics has gone up and the world prices of both, particularly rayon yarn, have improved. The rayon spinners in this country point out that exporters of fabrics from India are consequently getting yarn at prices which are more favourable than ever in relation to prevailing international prices of yarn.

The exporters, however, have their grievances. They feel that the agreement reserving 10 per cent of yarn production for replenishment against exports, which first came into force in April, 1968 and was renewed from time to time, has now become out of date in view of the fact that export of rayon fabrics is rising fast. Even between 1971-72 and 1972-73 exports of filament rayon fabrics increased from nearly 15.9 million metres to 18.4 million metres and the trend is rapidly

Wholesale Prices in India

Index Numbers (Base : 1961-62=100)

Year	Cotton yarn	Rayon yarn	Cotton Cloth (Mill-Made)	Cloth (Handloom)	Silk and rayon manufactures
1962	106.4	98.5	101.6	103.6	106.3
1963	108.1	81.0	101.9	119.2	107.6
1964	108.3	79.9	104.3	119.6	105.6
1965	112.8	83.6	107.7	125.2	103.3
1966	118.3	102.2	113.9	136.2	113.1
1967	132.1	101.0	121.2	135.9	114.0
1968	129.3	102.4	124.8	136.3	113.6
1969	139.2	102.7	129.4	138.7	114.4
1970	162.2	105.5	135.0	154.3	116.7
1971	203.3	119.5	153.9	175.8	124.4
1972	206.2	130.1	161.3	172.9	129.5

ard. During April, 1968-69, whereas er cent of the total production of rayon reserved for replenishment against rts amounted to slightly over 3 million he quantity actually lifted was only 000 kg. As against this, between il, 1972 and March, 1973, 2.5 million of yarn were lifted out of the reserved er cent of total production working to 3.9 million kg. It is the case of the orters that they would have lifted all quantity reserved for them except for fact that, in a few cases, the spinners failed to effect the deliveries due from m.

port Needs

On the basis of the estimates made by m of export possibilities in the imme- te future, the exporters believe that the rrent formula of "10 per cent of total oduction" would fall short of their re- irements by over one million kg. There therefore a demand from them that the are of total production reserved for the port replenishment scheme should be epped up from 10 per cent to 15 per cent mediately and that this percentage ould be kept under review in terms of rther progress in exports of rayon fab- cs. The spinning sector does not seem have any objection to the percentage f rayon yarn given in replenishment gainst exports being increased, but its epresentatives feel that, in that event, the rices charged to the actual users under he general agreement will have to be suit- bly increased. This again is an issue which needs to be settled satisfactorily when negotiations are again taken up bet- ween the spinning and the weaving sec- ors. In view of the importance of exports t is clearly necessary that steps should be aken in time to ensure that the growth of exports of fabrics is not prejud ced by the non-availability of yarn at economic prices.

The exporters of fabrics have a comp- laint that some rayon yarn is being ex- ported from this country even when there is a shortage of this raw material for the domestic weaving industry. Simulta- neously there is the contention that the export of yarn from this country would indirectly compete with our export of fabrics since other countries buying our yarn for manufacturing fabrics would be bidding against us in world markets for rayon textiles. This argu- ment seems to be rather far-fetched since the export of yarn so far has been only in limited quantities. It is however quite true that the country should, in the ordi- nary course, export manufactured goods in preference to semi-manufactured goods. It is even more true that, when there is a shortage of rayon yarn in the country, export of yarn is a matter which must be carefully examined. It is clearly desirable that the spinning industry should give priority to the yarn requirements of the exporters of fabrics and ensure that exports of fabrics are not adversely affected by the non-availability of yarn for the purpose.

At the same time it must be borne in mind that the increase in demand for yarn for replenishment against exports of fabrics is relatively of recent origin. In the same way, the general shortage of yarn in the country has also developed within the course of a year or so. In the circumstances, the spinners, who have taken steps to build up export contacts for selling some of their yarn abroad, have clearly been acting in the national interest. There

Priority for Pulp

The country is at present importing pulp of the order of from Rs 10 crores to Rs 12 crores per year. The expansion of the cellulosic fibre industry would increase this dependence on imports unless measures are taken to increase pulp capacity within the country. This project is therefore of high priority in the planning of cellulosic textiles.

The minimum economic size for a rayon grade pulp plant is reckoned at 100 tonnes per day and the optimum at 200 tonnes per day. The total capital outlay on a 100 tonne plant would be between Rs 15 crores and Rs 20 crores depending on whether the pulp wil be flash-dried or in sheet form. In view of this high capital requirement there are entrepreneurs in the country who are even prepared to think in terms of a 60-tonne per day plant to start with.

There are at present three units engaged in the manufacture of rayon grade wood pulp. the largest of them being Gwalior Rayon's plant at Mavoor which has an output of 64,000 tonnes per year as against the installed capacity of 72,000 tonnes. The second unit, namely South India Viscose, has an output of 22,000 tonnes which is also its installed capacity. The third unit, a new one, is Harihar Polyfibre at Harihar in Mysore state. It has an installed capacity of 36,000 tonnes. Its annual rate of production was running at 8,000 tonnes earlier this year, but it expects to reach its installed capacity by the end of this year. The pulp manufactured by Gwalior Rayon is suitable for viscose staple fibre and that produced by Harihar Polyfibrers is suitable for viscose filament rayon yarn and also for polynosic or high-wet modulus fibre. It is likely, however, that the entire production of pulp at Harihar may be utilised for the manufacture of staple fibre. South India Viscose manufactures pulp suitable for viscose filament yarn but, since this company is producing viscose staple fibre also, it has to use its own pulp for this purpose in accordance with the existing policy of the government. Consequently, South India Viscose utilizes 4,000 tonnes of pulp out of its total production of 22,000 tonnes in the manufacture of staple fibre. The balance of 18,000 tonnes is available for the manufacture of viscose filament rayon yarn.

South India Viscose has plans under way for expanding its pulp-making capacity. The first phase of this expansion, which would double the plant's capacity to 44,000 tonnes, will be implemented by the end of 1975. Out of the additional production of 22,000 tonnes, 8,000 tonnes are expected to be consumed for the manufacture of polynosic staple fibre and the remaining 14,000 tonnes would be available for filament yarn production. South India Viscose has also plans for the second phase of expansion to be completed by 1978-79. This will create a capacity of 36,000 tonnes more per annum out of which 12,000 tonnes are expected to be utilised for the manufacture of staple fibre and 24,000 tonnes for filament yarn. According to this programme South India Viscose will have stepped up its pulp capacity from 22,000 tonnes as at present to 80,000 tonnes by the end of the fifth Plan. Out of this quantity 24,000 tonnes would be utilized for the production of staple fibre (including polynosic staple fibre) and 56,000 tonnes for the production of filament yarn. When the pulp capacities of Gwalior Rayon and Harihar Polyfibers are added to this, the picture fills out to a possible total of 132,000 tonnes of pulp available for the production of staple fibre (including 8,000 tonnes on account of polynosic staple fibre) and 56,000 tonnes for the production of filament yarn.

There is general confidence in the rayon industry that the existing pulp manufacturing units will achieve their production targets. The outlook for certain other new projects, which are in the planning picture, seems to be less certain. The Government of India has issued Letters of Intent to Century Pulp for a plant in Uttar Pradesh with a capacity of 30,000 tonnes per annum, Modipon Limited for a plant in Jammu and Kashmir state with acapacity of 45,000 tonnes and Suraj Industrial Packing Limited for a plant in Uttar Pradesh with a capacity of 30,000 tonnes. The materialisation of the Century project depends primarily on the government's general industrial policy towards the larger business houses. As for the question whether a pulp plant located in Jammu and Kashmir state would be an economic proposition, there is at least some discussion if not debate. On the whole, the current assessment of prospects seems to be that one or the other of these three projected units may be commissioned during the fifth Plan period for the production of rayon grade wood pulp.

On this basis there seems to be scope for some further effort at exploring the possibilities of new projects being conceived or initiated. National Rayon, which had planned to take up the manufacture of pulp some years ago but given up the idea, will apparently be willing to revive the project provided the government's reaction is favourable. Even as it is, some interest is being shown by this firm in considering the development of timber resources in Madhya Pradesh and Maharashtra for a pulp project. Baroda Rayon too has proposals under consideration.

There are also other parties, some of them in the weaving industry, who, under favourable conditions, may come forward to put up integrated pulp and fibre manufacturing facilities. Considering the desirability of the country becoming self-sufficient in rayon grade wood pulp, it would be in the national interest for government policy to be flexible and constructive in dealing with these propositions so that the needed order of new investment may take place in this area.

s moreover the point that international trade is very much of a mixed bag of ricks. However keen a country may be on xporting manufactured goods, it cannot nd should not altogether avoid doing business in semi-manufactures.

After all, other major rayon manuacturing countries have been exportng both fabrics and yarn, and to he extent that many developing counries abroad may be interested in setting p their own weaving industries, spinning units in India cannot afford to ose sight completely of the commercial possibilities open to them in this rea. It follows that, so long as the yarn requirements of exporters of fabrics from India are fully and promptly met at reasonable prices, the rayon spinners should not be totally prevented from exploring xport markets for yarn.

In any case, in spite of the fact that the xport of filament rayon yarn has inreased since May this year, there is no reason to believe that exports of yarn vould develop in a way that would seriously cut into the availability of this material for domestic consumption, including consumption for fabrics for exports. For one thing, the export price has been averaging about Rs 15.46 per kg of 120 denier around the middle of this year and it as now gone up to about Rs 18 per kg. But even at these levels the export prices re definitely less attractive than the prices obtainable by spinners for free sales within the country. There is therefore no reason to believe that the spinners would go out of their way to divert yarn for exports in disregard of effective domestic demand.

All this apart, the real issue is whether the spinning industry cannot increase its output even in a short period by an extent sufficient for serving the immediate requirements of exports, whether of yarn or fabrics. For instance, there is the case of the largest spinning unit in this country which has been able to step up output by 50 per cent over its licensed capacity. On the argument that this degree of increased production is not permissible under the government's policy of limiting production to 25 per cent in excess of licensed capacity, this spinning unit, namely Century Rayon, is being denied part of its requirements of imported pulp with retrospective effect. This decision on the part of the government could do more to restrict the availability of yarn for the domestic weaving industry including th part which contributes to the export rayon fabrics than the export of limit quantities of yarn.

It would therefore be more to the poi for the rayon fabric export trade to ur on the government to make it possible f the spinning units to maximize their pr duction of yarn. It would be sensible t for the government to liberalize the i port of rayon grade pulp if this wou lead to additional production which capable of earning foreign exchan through exports of more rayon fabri or even rayon yarn. The Silk and Rayo Textiles Export Promotion Coun would therefore be well-advised, in n view, first to attempt to secure larger qua tities of yarn for replenishment again exports of fabrics and, secondly, unite i efforts with those of the spinning indust

Imports of Pulp* into India

(Rs crores)

Year	Value
1950-51	0.41
1955-56	2.34
1960-61	5.99
1961-62	6.18
1962-63	9.31
1963-64	9.32
1964-65	7.62
1965-66	5.61
1966-67	9.74
1967-68	10.31
1968-69	10.43
1969-70	12.47
1970-71	12.26
1971-72	9.58

*Wood pulp including chemical wood pulp.

Sirsilk—A Special Case

Although the world production of acetate rayon yarn has been steadily going up, indicating the strength of the demand for this product, the man-made fibre industry in this country has not yet succeeded in making its mark in this field. On the contrary, the only unit, which is manufacturing acetate filament yarn and fibre, viz., Sirsilk Limited in Andhra Pradesh, has no reason to be satisfied with this distinction. The market for acetate yarn and fibre (including tri-acetate yarn which is not being produced in this countyry at present) is placed at 5,000 tonnes per annum and although Sirsilk, with a licensed capacity of 5,400 tonnes, and an installed capacity of 3,200 tonnes per annum, sould in theory be able to serve the domestic market adequately, it has not so far been able to make full use of its capacity due to a number of difficulties including the non-availability of adequate supplies of alcohol.

Against its annual requirements of 6.3 million litres of alcohol, the firm has been obtaining supplies only to the extent of 3.6 million litres. As a result, its output of acetate filament yarn was only 1,604 tonnes and of acetate staple fibre 389 tonnes in 1972. The Tariff Commission, in its report submitted in March, 1970 and presented to Parliament by the minister for Commerce earlier this week, has said that "the financial position of the unit has not been satisfactory." This is a remarkable understatement. The fact that the dividends on the company's 6 per cent cumulative preference shares are in arrears from 1953/54 onwards and that the total liability in this respect as on the 30th September, 1971 amounted to over Rs two crores is indication enough of the poor financial results which it has been experiencing consistently.

The Tariff Commission has referred to over capitalization as one of the factors affecting the profitability of this concern. But surely, the more important reason for its continuous malfunctioning is the chronic difficulties experienced by it in obtaining sufficient supplies of alcohol at a reasonable price so that it could economically utilize its capacity to the full. The Tariff Commission itself has noted that the viability of this unit would depend on adequate steps being taken by the state government concerned to supply alcohol in sufficient quantities and at economic prices free of unreasonable additions or imports. The Commission has also expressed the view that there is a case to consider with regard to readjustment in the fiscal levies on alcohol, cellulose acetate and acetate yarn. Ironically enough, the budget for the current financial year has increased the excise duty on acetate yarn by 50 Paise per kg resulting in an increase in the incidence of the duty going up by 6 to 27.5 per cent on various deniers. The total impact of the direct and indirect duties in this budget, which are of application to this unit, would be about Rs 20 lakhs per annum, an additional burden on its finances which has to be assessed in terms of the total loss of Rs 26.55 crores carried forward to the year 1972-73 in the company's balance sheet for the year ending 30th September, 1972.

There is a view that this company must subject itself to drastic financial reorganisation if it is at all to become solvent. This assessment would be only partly true. No amount of financial jugglery could or would help unless the economic context in which this unit has to function is also rationalized. It has been suggested, for instance, that the proucts of this unit should receive special fiscal treatment in the form of a low or even nominal rate of excise duty for a specified period. It is also pointed out that restrictions placed on the prices at which it could market its prouducts would not really help its immediate or ultimate consumers., but would only further jeopardise its solvency. It is worth noting that the company itself utilizes a part of its production in its weaving section for convering into fabrics. In the circumstances, it should be possible to permit this unit to sell the balance of its products in the open market without price restrictions until, but within a specific period of time, it is able to make the further investment that may be necessary to replace obsolete sections of its machinery and equipment or otherwise modernise its plant so that it could quickly move up to its nominal installed capacity as a first step towards further expansion.

a persuading the government to follow realistic policy of encouraging the full utilization of the spinning capacity in the country.

That exporters of fabrics have a vested nterest, in the best sense of the term, in he expansion of the spinning sector, goes vithout saying. The Silk and Rayon Textiles Export Promotion Council ooks forward to our annual export earnngs reaching Rs 20 crores in the case of ilament rayon fabrics and Rs 10 crores n the case of spun rayon fabrics by the end of the fifth five-year Plan. Since the value of our exports of rayon fabrics amounted to Rs 6.3 crores in 1972-73 and the value of our exports of spun rayon fabrics to Rs 40 lakhs in that year, it is obvious that the Council's projections assume a very considerable emergence of surpluses of rayon fabrics in our country. Since the domestic demand for rayon fabrics is also rising, it would mean that the aggregate output of the industry should expand very fast indeed. The Silk and Rayon Textiles Export Promotion Council seems to be conscious of this imperative and it may therefore be assumed that it would fully cooperate with the spinning sector in resolving any short-term conflict of interests that there may be with regard to the prices or availability of yarn for the manufacture of fabrics for export.

Selling Cheap

Although there is general satisfaction in the country that an export trade in rayon fabrics is being steadily built up and that this export sector is confident of utilizing to the full the expanding export opportunities emerging for man-made fibre fabrics, including particularly cellulosics, there is some criticism that rayon fabrics are being exported at inordinately low prices and therefore at some economic loss to the country. It is recognized however that, for a nascent export trade, the priority must necessarily be for the securing of a physical foothold in export markets and that this objective could ordinarily be achieved only by competing keenly in terms of price which could often mean deliberately undercutting rival exporters. India has been relatively a late comer where the man-made fibre industry is concerned and it has to face a situation in which export markets are dominated by the established reputation of quality producers. In the circumstances, it is unavoidable that this export trade has to be supported in its initial stages through various forms of government or other assistance and it is also logical to some extent that it may not be commanding the most favourable prices for its merchandise in international trade.

All the same, it stands to reason that

Tariff Commission on Staple Fibre Yarn

The Tariff Commission, in its report submitted to the government in 1972 and placed on the table of the Lok Sabha by the Commerce Minister earlier this week, recommended the following fair ex-works selling prices (revised slightly in the light of the government's guideline) for different types and counts of viscose staple fibre bright yarn:

Rs/Kg

Count	Voluntary Ceiling Prices as on 18-7-1972	Fair Ex-Works Price	Reduction in Fair-Ex-works Price on overall increase in the availability of fibre by 5000 tonnes	Fair-Ex-works Price (revised)
A. Based on Costs				
REELS				
Single Yarn				
14	—	6.55	0.02	6.56
20	10.21	7.57	0.02	7.61
30/31	10.41	8.04	0.02	8.09
40	11.01	8.93	0.03	8.99
Doubled Yarn				
2/40	11.71	9.70	0.06	9.77
2/60	17.00	12.10	0.15	12.21
2/80	—	15.19	0.15	15.34
CONES				
Single Yarn				
14	—	6.92	0.03	6.96
20	10.31	7.83	0.03	7.88
30/31	10.71	8.29	0.03	8.34
40	11.41	9.10	0.04	9.16
60	—	10.89	0.05	10.98
80	—	14.01	0.12	14.14
Doubled Yarn				
2/40	12.01	9.99	0.07	10.06
2/60	17.40	12.67	0.11	12.79
2/80	—	15.74	0.18	15.90
B. By Interpolation				
REELS				
Single Yarn				
24	10.23	7.76	0.02	
26	10.33	7.85	0.02	
CONES				
Single Yarn				
24	10.47	8.01	0.03	
26	10.55	8.11	0.03	

For every variation of one rupee in the net cost of the raw material, the final price of yarn will stand modified by Rs 1.02 per Kg.

The fair selling prices of special qualities of yarn like dull and coloured have not been determined as their production is small. The Commission is of the view that distribution control should be reintroduced as early as possible along the lines of the staple fibre control order 1958 since there is a shortage in relation to demand, which is likely to continue at least for the next couple of years. A plea that staple fibre yarn may be given at international prices for export purposes so as to enable the Indian fabrics to compete successfully in the world markets has been commended to the government.

The fair return on capital employed has been assessed by the commission at 15 per cent which, it is claimed, would enable the industry to provide for reasonable reserves and fair dividends to the shareholders, after meeting ineterest on loans and minimum bonus.

The recommended selling prices are based on the overall availability of about 61,000 tonnes of fibre and the Commission has provided for a reduction in prices should the availability of yarn improve by 5,000 tonnes over that figure.

export trade in rayon textiles should able: sooner rather than later to stand its own feet in terms of both price l quality if the nation is to profit from opportunities offering to India to ome an important world trader in on fabrics.

ne Harmony

From this point of view the interests of export trade harmonise beautifully h the interests of the weaving sector a whole as well as the rayon industry nerally, all of which have a vital stake t only in the expansion but also in the ionalisation and modernisation of the aving sector. The Silk and Art Silk lls Association Limited, Bombay, which resents the weaving interests, has taken remarkably realistic view of the situa-n. It has stated categorically that the centralized sector, which does most of e weaving of rayon yarn, consists for the ost part of units small in size and that ese weavers have generally not been le to install new machinery or even re-ace machines which have outlived their ility. It has therefore pleaded for em-asis to be placed on the rehabilitation d modernisation of the machinery in e weaving sector as an integral part of e programme for the man-made textile dustry in the fifth Plan.

What causes the greatest concern to the okesmen of the weaving sector seems be the pronounced under-utilization capacity that exists here. This is amed mainly on the inadequate supply yarn and while it may be conceded that ere is certainly a shortage of rayon yarn the country at present, it is by no means ear that this is the greater part of what-er may be wrong with the weaving sec-r. The fact is that the industry is so aded with inefficient machinery and crip-ed by lack of working capital and even ore seriously by inadequate marketing rganisation or skills that it has to start y setting its own house in order if it is to lay its due part in the further growth of he man-made textile industry in this ountry. After stating that the present tilization of capacity works out to only bout 1.3 shifts per day, the Association xpresses the belief that, provided the upply of yarn improves and old machinery rehabilitated, the looms could work .75 shifts per day on an average and the nitting machines two shifts.

The Association has estimated that he expenditure on new machinery re-uired for expansion of capacity could be nywhere up to Rs 340 crores for the eriod of the fifth Plan and that this expenditure would include the spending of foreign exchange to the extent of Rs 136 crores. All this would be in addition to the expenditure to be incurred on the rehabilitation or modernisation of existing installations which would involve a total outlay of Rs 120 crores, including Rs 39 crores in foreign exchange. These financial projections depend partly on the physical targets assumed and the Association itself has gone on the basis of a total production of 2,200 million metres of man-made fibre fabrics per year to be produced by the end of the fifth Plan. It is therefore interesting to note that the sub-committee of the Development Council for Man-Made Textiles, which has accepted a target of 2,666 million metres of man-made fibre fabrics, has estimated the investment required for the conversion sector at Rs 175 crores.

These financial estimates or investment targets apart, what would really matter for the weaving sector and its future is that this industry should be reorganized into viable units or groups. One of the most effective institutional forms of achieving this is the development of co-operative industrial estates wherever possible. An approach along these lines would help to eliminate many of the abuses which seem to be widely prevalent in the weaving sector. The distribution of yarn among actual users, for instance, could be effected in a more orderly manner which would restrict the scope for corrupt dealings or malpractices of various kinds. The spinning industry has shown that it can produce yarn up to international standards, although it too faces problems of modernisation of its machinery or technological improvements and innovations in its processes. Since the various processes of fabric manufacture, particularly dyeing and finishing, play a very significant part in establishing the international acceptability of the final product, the weaving sector too should realize its responsibilities in terms of quality production at competitive prices.

It has been suggested in some quarters that the spinning industry could itself take a hand in bringing about an improvement in manufacturing or marketing techniques in the decentralized weaving sector. Whether this suggestion could be adopted needs to be considered, but it is clear enough that the reform of the weaving sector should essentially come from within itself. The spinning units have a lot to do in establishing or extending technical advisory services, but only a weaving sector, which has strengthened itself by its own effort, can take full advantage of this or other facilities which may be made available to it.

The government, in its announcement on industrial policy made in February this year, has placed man-made fibres in the core sector. This would remain an empty privilege unless positive action is taken through relevant government policies and decisions to create a climate of dynamic growth for the expansion of this industry, particularly in cellulosic fibres, which constitute the hard core of the man-made fibre industry.

In the first place, in terms of the logic of the core sector, the government should give up its obstructive attitudes towards

Production of Blended Yarn and Mixed Fabrics in India

	1969	1970	1971
Blended yarn (thousand kgs)			
Cotton/viscose	2,280	6,324	17,860
Cotton/polyester	5,172	7,740	8,322
Cotton/others	1,872	1,080	2,757
Polyester/viscose	2,700	3,408	3,836
Polyester/wool	..	36	11
Other blends	756	888	788
Total	12,780	19,476	33,574
Mixed fabrics (thousand metres)			
Cotton/viscose	24	60	54,509
Cotton/wool	..	..	4
Cotton/polyester	2,616	3,720	3,911
Cotton/others	972	1,788	2,857
Polyester/viscose	96	48	57
Polyester/wool	..	..	3
Polyester/others	12	12	121
Other mixed fabrics	132	..	14
Total	3,852	5,628	61,476

e larger business houses. For instance e leading viscose filament rayon yarn anufacturers seem to be interested the pulp industry. They should be ermitted to take it up. Again, they em to have developed indigenous know-w for the manufacture of high-wet odulus fibre. They should not be pre-nted from entering this field merely on e technical ground that this would mean versification from filament rayon yarn staple fibre.

lust be Flexible

More generally, difficulties should t be placed either in the way spinners undertaking the manu-cture of pulp or manufacturers of pulp nturing into the production of fibre or rn. There must be complete flexibility d fluidity in these matters. The govern-ent's present policy seems to be that new nits should be on an integrated basis and at they should simultaneously undertake e manufacture of both rayon grade pulp d staple fibre. Since the investment on integrated project of this kind would heavy, it stands to reason that sponsors such projects should be allowed to ace out their manufacturing programmes r commitments in a reasonable way. If is involves the import of pulp for the rst few years by the integrated project, is should not be ruled out provided the terregnum is a brief one.

Fiscal policy again is a matter which as to be considered carefully in terms of e expans of this industry. Granted at the revenue needs of the government ave to be met and that the man-made bre industry should make its due contri-ution to this purpose, it should still be pos-ible to ensure a certain stability in the inci-ence of taxation on this industry so that it ould plan the financing of its expansion ith some confidence. In particular, the ind of drastic changes in the excise struc-ure which have been effected in the budget or the current financial year should be voided. The withdrawal of the preferen-al treatment enjoyed by the smaller units respect of central excise duties has seri-usly affected the financial position of at east some of them.

Admitted that the smaller units annot demand such preferential eatment indefinitely merely on the asis of their small-scale operations, would still be right that they should be iven some relief until they expand to an conomic size. It is no doubt true that, ven during the period these smaller units ave been enjoying preferential excise eatment, not all of them have been taking ffective measures to step up their capacity o an economic size. But this only means at the government and the individual rms concerned should come to an agree-ent committing the latter to firm, time-ound programmes leading to viable capacities. It is generally agreed that a capacity of 15 tonnes per day would be the minimum for profitable operations. The smaller units, which are four in num-ber, should be persuaded or encouraged to step up their capacity at least to this limit as part of the general expansion pro-gramme for the viscose filament rayon yarn industry in the fifth Plan.

The government is yet to formulate the list of industries which would be entitled to preferential tax treatment in place of the development rebate which is being withdrawn. The cellulosic fibre industry has strong claims for inclusion in this list. Moreover, the "backward areas" argument would apply with particular force to the manufacture of pulp which is directly re-lated to the development of forest re-sources.

Ultimately, however, the stability and expansion of this industry would depend on the prices it is currently able to receive for its products and the profitability trends it might reasonably look forward to. For the most part so far, the cellulosic fibre industry has been regulating its prices and the distribution of its production through voluntary agreements with the weaving sector. Although there have been com-plaints and counter-complaints, this ap-proach has worked better than any scheme of government-controlled or government-operated price or distribution scheme would have functioned.

In any case, the immediate concern of the weavers as well as the ultimate concern of the consumers of man-made fibre tex-tiles must be that the availability of pulp, yarn and fabrics should improve all along the line. It is doubtful that the approach of the Tariff Commission to what is called fair selling prices does or can at all take account of the financial problems involved in the expansion of investment or produc-tion at realistic levels of capital outlay or operating expenses including particularly raw material costs and taxes.

The government has so far not taken any decision on the recommendations of the Tariff Commission relating to man-made fibres. In view of the increased cost of plant and machinery for new units or expansion of the existing units of the industry, whether as a whole or in its individual parts, the cellulosic fibre industry can go forward only in terms of reasonable freedom to seek att-ractive levels of profit under flexible pric-ing and marketing conditions. Even if this means that the consumer may have to pay a little more in the short period, it would also make it possible for him to pay much less in the long run. This, after all, is what planning is about; this and the supreme need for avoiding shortages of essential commodities which have be-come a nightmarish feature of the current economic situation in the country.

Cellulosic Fibre Industry—A Profile

(In thousand tonnes)

Name of the unit	Type of fibre	Date of commence-ment	Initial capacity	Installed capacity (1970)
National Rayon Corporation Ltd., Bombay	Viscose rayon filament yarn	March 1951	2.54	9.00
	Viscose rayon tyre cord yarn	1962	2.00	7.00
Century Rayon, Bombay	Viscose rayon filament yarn	Sept. 1956	1.82	7.00
	Viscose rayon tyre cord yarn	1963	3.50	7.00
Baroda Rayon Corporation Ltd., Udhna	Viscose rayon filament yarn	Dec. 1962	3.12	3.00*
Indian Rayon Corporation Ltd., Veraval	Viscose rayon filament yarn	Oct. 1963	2.00	3.65*
Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., Nagda	Viscose rayon staple	Feb. 1954	5.00	63.75
Shriram Rayons, Kota	Viscose rayon tyre cord yarn	1965	4.00	5.00
J.K. Rayon, Kanpur	Viscose rayon filament yarn	July 1959	1.80	2.90
Sirsilk Ltd., Hyderabad	Acetate filament yarn & fibre	June 1954	1.60	3.20
Kesoram Rayon, Calcutta	Viscose rayon filament yarn	Feb. 1960	1.80	4.50
South India Viscose Ltd., Coimbatore	Viscose rayon filament yarn	April 1961	3.50	4.00
	Viscose rayon staple	Oct. 1961	3.50	4.00
Travancore Rayons Ltd., Rayonpuram	Viscose rayon filament yarn	January 1950	1.82	3.30*

*As in 1972

United Commercial Bank

Head Office : 10, Brabourne Road, Calcutta-1

:PORT OF
IE DIRECTORS

The Directors have pleasure in presenting their Fourth Report on the working of the Bank along with the Ba-
ıce Sheet as at and Profit & Loss Account for the year ended 31st December 1972.

PERATIONS OF THE BANK

The Bank, on the whole, had a satisfactory year of working in 1972. There was a gratifying increase in deposits, th in India and abroad. The advances portfolio also showed satisfactory improvement though the pace of expansion was t commensurate with the rise in deposits.

posits

The deposits and other accounts in India at Rs 391.72 crores showed an increase of Rs 75.11 crores as against an crease of Rs 41.63 crores in 1971. Percentage-wise the increase in 1972 was 23.7 as against 15.1 in 1971.

Of the increase of Rs 75.11 crores in India, the branches in the Eastern Zone comprising the States of Assam, Bihar, eghalaya, Orissa, Tripura and West Bengal accounted for a rise of Rs 29.37 crores as compared to a rise of Rs. 19.88 ores in 1971.

The contribution of the branches situated in rural and semi-urban areas to the increase in deposits was of the order Rs. 24.47 crores as compared to Rs. 19.07 crores in the previous year.

The performance of the branches in the 7 States in which the Bank has been assigned the lead role in respect of districts, as revealed by the following figures, has been encouraging.

State	Number of branches at the end of		Percentage increase in deposits in	
	1971	1972	1971	1972
Assam	22	24	51.9	41.3
Bihar	35	36	28.4	27.5
Orissa	31	32	21.3	45.4
West Bengal	68	72	20.7	26.7
Himachal Pradesh	11	13	23.7	39.2
Punjab	30	33	22.0	26.7
Rajasthan	41	44	26.0	17.1

The number of deposit accounts in India went up from 12,41,000 to 14,32,550—an increase of 1,91,500 as against e increase of 1,81,000 during the previous year.

The deposits and other accounts of the branches outside India at Rs 26.11 crores showed an increase of Rs 5.2 crores as against practically no increase in the previous year.

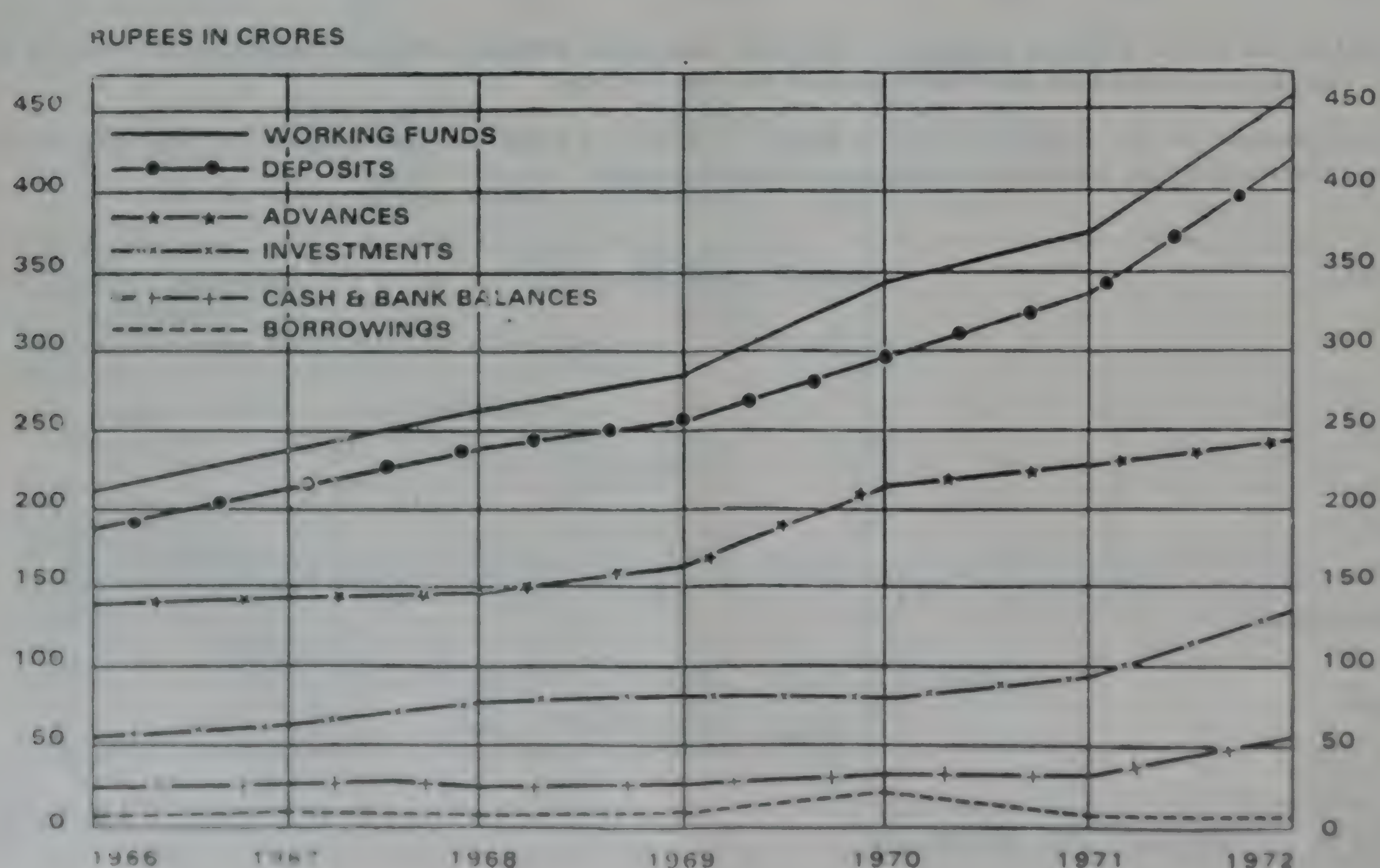
Advances

A notable feature in the banking system during 1972 was the excess liquidity caused by a substantial increase in d posits and a slowing down of the demand for credit. The problem of excess liquidity assumed such dimensions, par cularly in the latter half of 1972, that some of the commercial banks in their anxiety to profitably deploy their surpl funds, resorted to weaning away of accounts from one another, resulting in unhealthy competition. The intervention the Reserve Bank of India towards the end of the year, in regard to transfer of accounts, was timely. The guidelin issued by the Reserve Bank of India in this regard have been conducive to better understanding and co-operation among banks in the field of lending, particularly to big borrowers.

Credit expansion of scheduled commercial banks remained at a low pace as a result of the sluggish tempo of econom growth for a greater part of the year. Another contributory factor was the substantial decline in advances for food pr curement as a result of the failure of khariff crop in several parts of the country and a faster depletion of buffer stock wi the Food Corporation of India. Consequently, credit-deposit ratio of scheduled commercial banks declined by 6.5 pe centage points to 66.3 per cent during 1972 compared with the fall of 5.5 percentage points to 72.8 per cent in 1971.

The Bank's Advances and Bills outstanding as on 31st December 1972 amounted to Rs. 243.68 crores registering increase of Rs. 14.82 crores during the year as against the increase of Rs. 11.71 crores during the previous year. The advanc in India, excluding the advances for food procurement, went up during the year by Rs. 26.47 crores as against the fall Rs. 3.19 crores during the year 1971. Advances for food procurement went down from Rs. 23 crores at the end of 19 to Rs. 7 crores at the end of 1972. The average credit-deposit ratio of the Bank in India during 1972 was 66.48 p cent as against 76.77 per cent during the year 1971.

Of the increase of Rs. 26.47 crores in advances in India, the branches in the Eastern Zone comprising the Stat of Assam, Bihar, Meghalaya, Orissa, Tripura and West Bengal accounted for Rs. 13.86 crores or 51.9 per cent of t total increase.



The foreign branches of the Bank also experienced excess liquidity but concerted efforts were made to expand and versify their advances in order to improve their profitability. During the year the advances of foreign branches went up y Rs 4.35 crores as against a rise of Rs 5.28 crores in deposits.

RIORITY AND PREFERRED SECTORS

Advances to priority and preferred sectors rose during the year by Rs 7.75 crores. This forms 29 per cent of the crease in advances of Rs 26.47 crores in India referred to earlier. As will be seen from the table below, during the year 347 new accounts were brought on the books of the Bank taking the total number of accounts to 60,089 at the end f 1972.

While the overall limits sanctioned increased from Rs 84.92 crores to Rs 91.74 crores during the year, the availment gures showed an increase of Rs 7.75 crores as against a drop of Rs 0.93 crores in 1971.

The percentage of advances to priority and preferred sectors to total advances of the Bank at the end of 1972 was 4.8 as against 23.0 at the end of the previous year.

Although the increase in the availment of advances by the Small-scale industries sector excluding Transport Operators, as of the order of Rs 2.52 crores, the number of new accounts brought on the books was only 269. Advances were lso made to 412 new transport operators mainly for providing self-employment.

(Amount in Crores of Rupees)

	1971			1972		
inancing	No of A/cs	Sanctioned limits	Balance out-standing	No of A/cs	Sanctioned limits	Balance out-standing
. SMALL-SCALE INDUSTRIES Of which	6,195	32.70	19.64	6,876	35.44	22.59
TRANSPORT OPERATORS	(1,908)	(4.87)	(3.23)	(2,320)	(5.94)	(3.66)
2. AGRICULTURE	34,522	20.93	15.27	38,848	22.12	17.15
3. EXPORTS (Pre-shipment and Post-shipment)	401	20.27	10.51	375	22.50	12.82
4. RETAIL TRADE AND SMALL BUSINESS 5. PROFESSIONALS AND SELF-EMPLOYED AND EDUCATION	11,624	11.02	7.32	13,990	11.68	7.93
TOTAL	52,742	84.92	52.74	60,089	91.74	60.49

In Agricultural finance, further progress was made during the year by increasing the number of accounts to 38,84[illegible] as compared with 34,522 at the end of the previous year. The increase in the availment of credit by the agricultural sector has also been of the order of Rs 2 crores of which Rs 0.46 crores went to 1,674 farmers owning land of less than 5 acres each. Finance was made available to 9,035 agriculturists through the medium of Primary Co-operative Credit Societies numbering 78 and the total amount of credit to agriculturists through this medium at the end of the year amounted to Rs 0.55 crores. In the course of the current year, it is proposed to take on about 35 more such Societies for finance in the States of Assam, Orissa and West Bengal.

A beginning was made during the year 1972 in extending financial assistance to small farmers in SFDA and MFAL areas. Nearly 1,200 farmers were assisted by grant of loans aggregating Rs 0.28 crores, in the Bank's Lead Districts viz. Kamrup and Goalpara in Assam, Dhenkanal and Cuttack in Orissa, Hooghly in West Bengal, Jullundur in Punjab and Sirmur in Himachal Pradesh. The scheme is mainly intended to finance dug wells, tube wells, purchase of pump sets, dairy and poultry farming and piggery.

The number of new accounts of small scale industries and small agriculturists brought on the books of the Bank in 1972 is not considered satisfactory. With the strengthening of the staff at the Divisional Offices and Field levels by recruitment of technically qualified development staff and field officers during the current year, it is hoped, that the Bank's performance in this field would improve.

During the year, the Bank devised a scheme to help small farmers in marketing their farm produce at remunerative prices. This scheme has been implemented near Ranchi in the State of Bihar for the benefit of farmers who are predominantly Adivasis and who have taken to modern methods of farming with Bank's assistance. This scheme is expected to benefit about 600 farmers of villages comprising two blocks which are at a distance of about 40 miles from Ranchi.

Another Co-operative project for Lift irrigation sponsored by Savarde Latawade Warna Shethi Pani Puravantha Mandal with the Bank's assistance covering some villages at a distance of about 15 miles from Kolhapur in the State of Maharashtra was implemented during the year. This scheme would bring under cultivation about 600 acres of land forming a compact black of which about 100 acres will be under sugarcane cultivation and the rest under khariff and rabi crops. About 300 small farmers would be benefited by this project.

The Bank also, with the assistance of the Agricultural Finance Corporation Ltd., formulated three schemes for the Bank's Lead District, Dhenkanal in the State of Orissa. One scheme related to financing of 500 dug wells with or without pumping sets. This was in addition to the scheme for financing of 1,100 dug wells equipped with electric pumping sets already undertaken by the Bank in the Ramaila Sub-basin in this district. Another scheme related to the financing of raw materials for manufacture of cattle feed mixture by one of the Co-operative Societies in the district. Under the third scheme, about 200 small farmers are to be given financial assistance for purchase of milch cattle as also for construction of low cost cattle sheds. A scheme for sinking 300 shallow tube wells in three blocks viz., Khanakul-I, Khanakul-II and Tarakeswer in the Bank's Lead District. Hooghly in West Bengal, drawn up with the assistance of the Agricultural Refinance Corporation, was also partially implemented during the course of the year. This scheme involving a total outlay of Rs 0.18 crores is to be completed in stages by the end of 1974, but by February this year digging of half the number of tube wells had been completed.

The Bank has participated in 7 projects sponsored by the Agricultural Refinance Corporation under the aegis of the International Development Agency. These projects involve land development, minor irrigation and supply of tractors and pump sets, digging of tube wells and cover a large number of districts in the States of Andhra Pradesh, Haryana, Maharashtra, Mysore, Madhya Pradesh, Punjab and Uttar Pradesh.

ASSISTANCE TO PREFERRED SECTORS

The Bank continued to extend financial assistance under its various schemes to the preferred sections of the society. Particular attention was devoted to assisting the educated unemployed persons in setting up projects of self-employment. A cross-section of self-employed technicians and artisans have been the beneficiaries of the Bank's financial assistance. With the assistance of the Small-scale Industries Research and Development Organisation (SIRDO), the unemployed Engineering graduates were encouraged to set up small units at Ranchi and Allahabad. The scheme has also been offered to the Universities in West Bengal. The Bank was actively associated with the scheme sponsered by the West Bengal Agro-Industries Corporation for assisting agricultural graduates in setting up Agro-Service Centres.

·The table below gives the comparative figures of the Bank's advances to these sectors.

(Amount in Crores of Rupees)

Financing of	December 1971			December 1972		
	No of A/cs	Sanctioned limits	Balance outstanding	No of A/cs	Sanctioned limits	Balance outstanding
Retail Traders	6,161	9.37	6.14	7,331	9.73	6.43
Small Businessmen	3,172	0.70	0.44	4,037	0.94	0.69
Professionals and Self-employed persons	2,203	0.87	0.67	2,516	0.91	0.74
Students for Education	88	0.08	0.06	106	0.10	0.07
TOTAL	11,624	11.02	7.31	13,990	11.68	7.93

xports

In the field of Export finance, the Bank continued to make satisfactory progress. At the end of 1972, the total of xport credit outstanding both for pre-shipment and post-shipment amounted to Rs 12.82 crores as against Rs 10.51 crores the end of the year 1971, showing an increase of 22 per cent.

IFFERENTIAL INTEREST RATES SCHEME

A significant development in the banking industry during the year was the decision of the Government of India to nplement the scheme of differential interest rates for advancing by public sector banks to selected low income groups eserving financial assistance. A start was to be made under the scheme by providing credit to borrowers who had no ngible security to offer on their own and who by their hard work could help themselves to rise above their present conomic levels in a productive endeavour with financial assistance from banks. The rate of interest for advances under ne scheme was fixed at 4 per cent per annum. Detailed instructions in regard to the scheme were received from the Reerve Bank of India in the middle of 1972. However, the scheme could be implemented only from August 1972 as proedural details had to be finalised and areas of operations of the scheme determined in consultation with other banks. he Bank has selected 70 branches all over the country for implementation of the scheme. These branches were able to rant advances under the scheme totalling Rs 3.08 lakhs till December 1972 to 770 borrowers in the states of Assam ihar, Orissa, Rajasthan and Himachal Pradesh. The scope of the scheme has since been enlarged both with regard to rea of its operation and eligible borrowers. Efforts are being made to assist a larger number of eligible borrowers under ne scheme during the current year.

NVESTMENTS

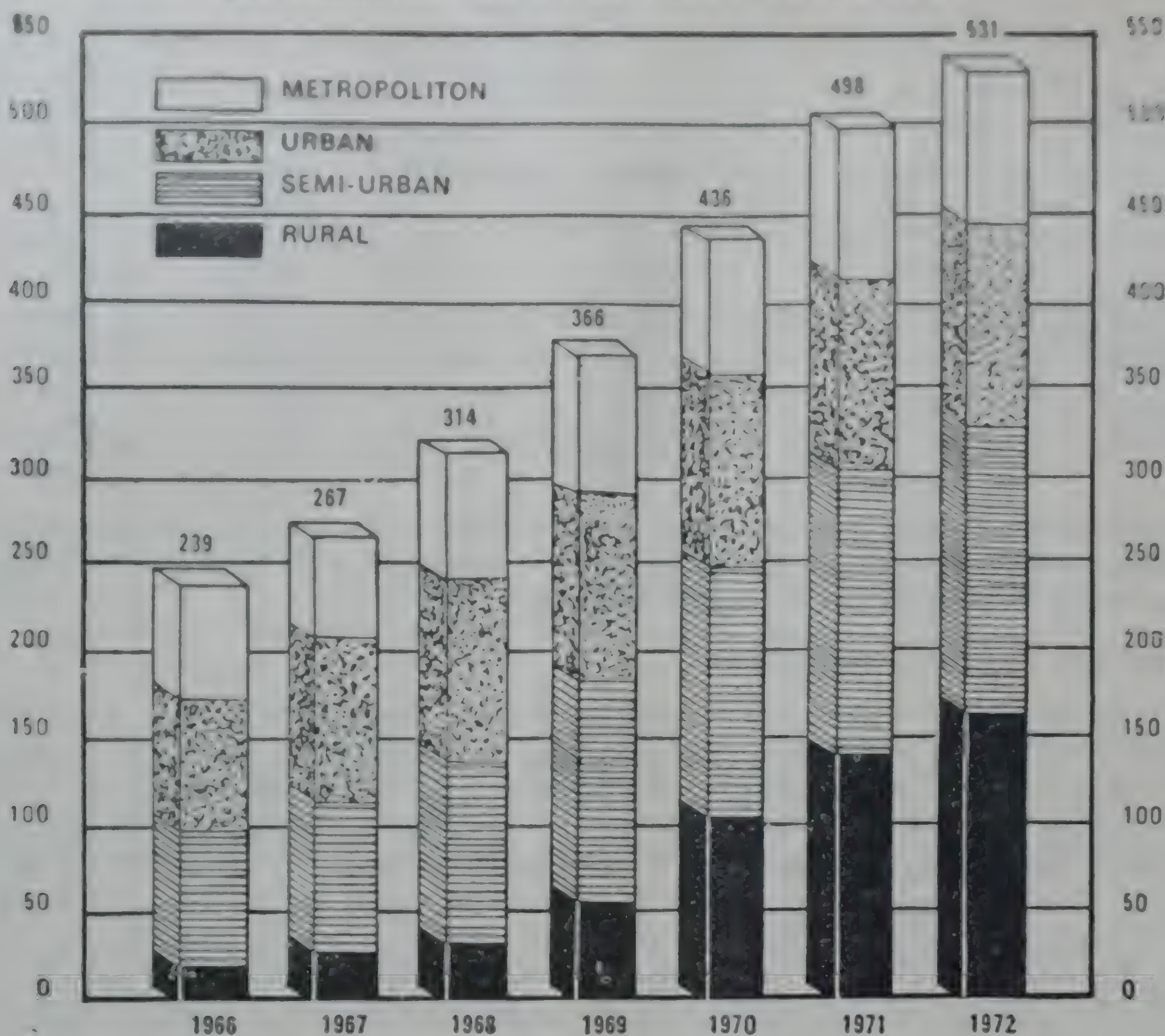
As the prospects of deposit accretion during the slack season of 1972 were expected to be brighter, banks were dvised by the Reserve Bank of India to expand their portfolio of investments in Government and other approved secuities to help meet the financial requirements of the Plan and also for providing a better liquidity ratio to meet the redit needs during the busy season of 1972-73. The statutory liquidity ratio was raised from 29 per cent to 30 per cent nd the minimum net liquidity ratio from 34 per cent to 36 per cent with effect from 17th November 1972. The Bank ubscribed, during the year, substantial amounts to the Loans floated by the Central and State Governments and Public Bodies like the State Electricity Boards, Industrial Finance Corporation, State Financial Corporations, Land Development Banks, State Housing Boards, Calcutta Metropolitan Development Authority etc. The addition to the Government and other Trustee Securities during the year was of the order of Rs. 40.88 crores, more than 50 per cent of the deposit accretion during the year. The liquidity position of the Bank throughout the year was comfortable.

BRANCH EXPANSION

During 1972, although the Bank had planned to open a large number of branches, it could open only 33 branches (11 in the Lead Bank Districts) up to the end of the year.

The target could not be achieved mainly on account of constraints of inadequate trained man-power resources and the difficulties experienced in effecting recruitment at various levels. In some cases, it was not possible to secure suitable premises, particularly in rural areas. These difficulties are being overcome and the Bank is planning to open a large number of branches during the current year to clear the backlog. While drawing up the branch expansion programme due priority has been given to the opening of branches in Lead Districts assigned to the Bank and in comparatively underbanked States.

SECTORWISE DISTRIBUTION OF BRANCHES



lassification	1966	1967	1968	1969	1970	1971	1972
Metropolitan	66	71	76	78	81	85	88
Urban	75	82	98	104	107	110	116
Semi-urban	82	90	107	127	142	161	162
Rural	16	24	33	57	106	142	165
Total	239	267	314	366	436	498	531

EAD BANK SCHEME

On the basis of the survey reports prepared for 23 Lead Districts assigned to the Bank, meetings of the District evel Co-ordination and Consultative Committees were convened. At these inaugural meetings, measures taken by various anks operating in these Lead Districts in respect of opening of branches, deposit mobilisation, advances to priority ectors etc., were reviewed. In some of the Lead Districts, follow-up meetings were also held during the year. With e help of District Administration as well as other State Government agencies, the Bank has been able to make some eadway in scrutinising bankable schemes framed by the State Governments. Some such schemes involving an outy of about Rs 1.25 crores are being implemented. Steps are also being taken to prepare schemes for agricultural deelopment in the Districts of Hooghly, Burdwan and Birbhum in West Bengal.

VORKING RESULTS

The profit of the Bank at Rs 180.78 lakhs for the year ended 31st December, 1972 recorded only a marginal increase over the profit for the year 1971. The rise in the gross income after making the usual and/or necessary provisions as Rs 2.10 crores as compared with the rise of Rs 4.99 crores in the previous year. This was mainly due to ower credit-deposit ratio during the year as a result of absence of demand for credit to match the rise in deposits.

After transferring a sum of Rs 38.65 lakhs to Reserve Fund and providing Rs 89.50 lakhs for bonus to staff, the alance of Rs 52.63 lakhs has been transferred to Central Government in terms of Section 10(7) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

ORGANISATION OF ADMINISTRATIVE AND OPERATIONAL SET UP OF THE BANK

The scheme of reorganisation finalised in the first week of February 1972 was put into operation from 1st March 72. In terms of this scheme, Divisional Managers for the fifteen Divisions and Assistant General Managers in charge the six Zones have been appointed. The Divisional and Zonal offices are in the process of being manned with adeate trained personnel. The powers vested in the Managers of branches, Divisional Managers and Assistant General anagers for sanctioning advances have been revised so as to speed up disposal of proposals for advances, particularly ose falling under the priority and preferred sectors.

The reorganisation of the Head Office set-up on a functional basis made considerable progress during the year. Steps re also initiated to recruit the necessary technical personnel to strengthen the Bank's Operations and Planning & Developent departments.

To meet the immediate need of trained man-power, special capsule courses have been designed for imparting inducn training to fresh recruits in the clerical cadre, for training Managers of rural branches and for training officers rered to deal with credit proposals at Head Office, Zonal and Divisional Offices and important branches. Under these ogrammes, it has been possible to impart training to about 250 employees of the Bank at various levels. Besides, special resher courses were held at the Bank's Staff Training College at Jaipur for Chief Cashiers and senior clerks, Managers l Accountants of small-size branches.

A special course was also arranged with the co-operation of the Bankers' Training College of the Reserve Bank of dia for imparting basic training to the 40 newly appointed Inspection and Audit staff in the methods and techniques of pection and audit in the context of the new responsibilities devolving on the Bank following nationalisation.

Further arrangements are in hand for imparting intensive training in specialised courses to a larger number of emyees in different categories.

ARD OF DIRECTORS

During the year, up to 10th December 1972., twentytwo meetings of the First Board of Directors were held, 19 of em in Calcutta and one each at Patna, Madras and New Delhi.

In pursuance of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Central Gornment constituted the Board of Directors with effect from 11th December 1972 and appointed Sarvashri V.R. Desai, Lakshmanan, S.D. Parelkar, D. Banerjee, Pannalal Das Gupta, Gursaran Singh, Upen Bordoloi, G.P. Sinha, Gopinath ohanty, Kumari N.K. Ambegaokar and Shri D.N. Ghosh as Directors. The Management Committee consisting of six these Directors was also formed in terms of the said Scheme. Shri V.R. Desai ceased to be the Custodian of the nk on his appointment as Managing Director and Chairman of the Board of Directors. The Board held its first meeting Calcutta on 29th December 1972.

Dr Ashok Mitra, Chief Economic Adviser to the Government of India, who was appointed as a Director on the rst Board of Directors on its formation in July 1970, ceased to be a Director of that Board on his resignation from overnment service. In his place, Shri D.N. Ghosh, Joint Secretary, Ministry of Finance, Department of Banking was pointed as a Director.

Shri Raghunath Mohapatra who was a member of the First Board of Directors ceased to be a Director on the nstitution of the Board of Directors in terms of the Nationalised Banks (Management and Miscellaneous Provisions) heme, 1970.

The Directors place on record their deep appreciation of the able guidance and wise counsel given by Dr Ashok litra and Shri Raghunath Mohapatra at the deliberations in the meetings of the Board of Directors as also on the rious aspects of the Bank's working during their tenure of office as Directors.

In conclusion, the Directors wish to thank the staff at all levels for their dedicated service, loyalty and co-operation, d all friends, clients and correspondents for their valued patronage.

For and on behalf of the Board of Directors
V.R. DESAI
Chairman

lcutta,
th June, 1973.

UNITED COMMERCIAL

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES		31st December, 1972		31st December, 1971	
		Rs. P.	Rs. P.	Rs.	Rs.
1. CAPITAL :					
Paid up (Wholly owned by the Central Government)			2,80,00,000.00		2,80,00,0
2. RESERVE FUND AND OTHER RESERVES :					
(a) Reserve Fund ..		5,57,40,000.00		5,18,75,000	
(b) Development Rebate Reserve ..		3,60,000.00	5,61,00,000.00	3,60,000	5,22,35,0
3. DEPOSITS AND OTHER ACCOUNTS :					
Fixed Deposits ..		2,12,97,51,267.72		1,66,85,98,309	
Savings Bank Deposits ..		92,05,61,599.22		78,88,21,238	
Current Accounts, Contingency Accounts, etc. ..		1,12,80,22,993.12	4,17,83,35,860.06	91,69,78,910	3,37,43,98,4
4. BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.					
(i) In India					
Borrowings from :					
Industrial Development Bank of India	1,81,69,518.33			1,97,19,519	
Agricultural Refinance Corporation	59,59,500.00			56,28,500	
Financial Institutions under Participation Certificate Scheme	5,00,000.00			99,50,000	
Reserve Bank of India	..			5,00,00,000	
Other Banks	1,88,21,906.52			19,42,276	
		4,34,50,924.85		8,72,40,295	
(ii) Outside India ..		1,16,11,493.64	5,50,62,418.49	56,13,178	9,28,53,
PARTICULARS :					
(i) Secured by part of Investments and assignment of Securities for Advances per contra ..		1,34,96,828.33		4,74,41,019	
(ii) Unsecured ..		4,15,65,590.16		4,54,12,454	
		5,50,62,418.49		9,28,53,473	
Carried over ..			4,31,74,98,278.55		3,54,74,86

BANK

31ST DECEMBER, 1972

PROPERTY AND ASSETS		31st December, 1972		31st December, 1971	
		Rs. P.	Rs. P.	Rs.	Rs.
1. CASH :					
In hand and with Reserve Bank of India and State Bank of India (including foreign currency notes) ..		42,93,58,661.63			26,10,13,27
2. BALANCES WITH OTHER BANKS :					
On Current Account :					
(i) In India Rs. 1,23,86,358.52				67,33,639	
(ii) Outside India Rs. 3,52,45,728.32	4,76,32,086.84			4,33,19,714	
On Deposit Account :				5,00,53,353	
(i) In India Rs. 3,20,00,000.00				..	
(ii) Outside India Rs. 1,31,15,479.22	4,51,15,479.22	9,27,47,566.06	52,21,06,227.69	..	5,00,53,35
3. MONEY AT CALL AND SHORT NOTICE :		..	6,78,35,720.00		4,85,00,30
4. INVESTMENTS : (at below market value)			58,99,41,947.69		35,95,66,93
(i) Securities of the Central and State Governments and other Trustee Securities, including Treasury Bills of the Central and State Governments ..		1,37,03,47,866.48		96,15,40,360	
(ii) Shares :					
(a) Fully Paid Preference Shares ..		9,22,042.50		9,22,042	
(b) Partly Paid Preference Shares ..		..		..	
(c) Fully Paid Ordinary Shares ..		49,56,552.13		39,61,352	
(d) Partly Paid Ordinary Shares ..		40,37,120.00		42,43,720	
(iii) Debentures or Bonds ..		50,32,871.25		57,35,108	
(iv) Other Investments :					
(a) Securities of Foreign Governments and Foreign Trustee Securities ..		1,36,96,707.65		1,37,00,611	
(b) Unit Trust of India (Initial Capital) ..		4,50,000.00		4,50,000	
(v) Gold ..		..	1,39,94,43,160.01	..	99,05,53,19
5. ADVANCES :					
(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors).					
(I) Loans, Cash Credits, Overdrafts etc. :					
(i) In India	Rs. 1,69,04,71,589.46			1,50,95,02,448	

Includes Advances against which refinance has been obtained per contra from :

	31-12-1972	31-12-1971
Term Advances :	Rs.	Rs.
Industrial Development Bank of India and	1,81,69,518.33	1,97,19,519
Agricultural Refinance Corporation	59,59,500.00	56,28,500
Cash Credit: Financial Institutions under Participation Certificate Scheme	5,00,000.00	99,50,000

(ii) Outside India	Rs. 7,78,48,867.86			6,08,12,826	
		1,76,83,20,457.32		1,57,03,15,274	
(II) Bills Discounted and Purchased (excluding Treasury Bills of the Central and State Governments) :					
(i) Payable in India	Rs. 50,68,16,759.75			59,93,15,642	
Includes an amount of Rs. 7,00,00,000 (Previous Year —Rs. 23,00,00,000) classified under Particulars (iii) below of Usance Promissory Notes lodged with Reserve Bank of India for advances under Section 17(4) (c) against which no borrowing was outstanding (Previous year—Rs. 3,00,00,000 per contra)					
(ii) Payable outside India	Rs. 16,16,20,893.69			11,90,11,436	
		66,84,37,653.44	2,43,67,58,110.76	71,83,27,078	2,28,86,42,35
Carried over ..			4,42,61,43,218.46		3,63,87,62,47

UNITED COMMERCIA

BALANCE SHEET AS A

CAPITAL AND LIABILITIES	31st December, 1972		31st December, 19	
	Rs. P.	Rs. P.	Rs.	Rs.
Brought Forward ..		4,31,74,98,278.55		3,54,74,86,9
5. BILLS PAYABLE :		6,10,19,647.69		5,28,79,8
6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE as per contra :				
(i) Payable in India ..	25,59,93,087.63		25,46,60,839	
(ii) Payable outside India ..	8,74,98,432.39	34,34,91,520.02	8,83,61,648	34,30,22,4
7. OTHER LIABILITIES :				
(i) Branch Adjustments ..	12,64,56,577.12		10,30,52,566	
(ii) Rebate on Bills Discounted, Advance Receipts, etc. ..	62,71,474.95	13,27,28,052.07	39,00,979	10,69,53.5
8. ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra : ..		33,77,70,507.00		24,51,23,6
9. PROFIT AND LOSS :				
Profit as per last Balance Sheet ..	52,59,792.17		47,10,921	
Less : Amount transferred to Central Government ..	52,59,792.17		47,10,921	
	..		..	
Add : Profit for the year ..	1,80,77,722.44		1,80,44,792	
Less : Appropriations made :				
To Reserve Fund Rs. 38,65,000.00			43,25,000	
To Bonus to Staff Rs. 89,50,000.00			81,50,000	
To Donation to National Defence Fund and Orissa Cyclone Relief Rs. ..			3,10,000	
	1,28,15,000.00		1,27,85,000	
Balance to be transferred to Central Government in terms of Section 10(7) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970		52,62,722.44		52,59,7
Carried over..		5,19,77,70,727.77		[illegible]

BANK

31ST DECEMBER, 1972

PROPERTY AND ASSETS	31st December, 1972		31st December, 1971	
	Rs. P.	Rs P.	Rs.	Rs.
Brought Forward ..		4,42,61,43,218.46		3,63,87,62 478
PARTICULARS OF ADVANCES :				
(i) Debts considered good in respect of which the Bank is fully secured ..	1,74,45,87,064.54		1,55,79,64,324	
(ii) Debts considered good for which the Bank holds no other security than the debtors' personal security ..	22,91,01,922.25		15,84,05,178	
(iii) Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors ..	46,30,69,123.97		57,22,72,850	
(iv) Debts considered doubtful or bad, not provided for ..	..		..	
	2,43,67,58,110.76		2,28,86,42,352	
(v) Debts due by directors or officers of the Bank or any of them either severally or jointly with any other persons ..	92,67,191.54		84,98,336	
(vi) Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members ..	..		..	
(vii) Maximum total amount of advances, including temporary advances made at any time during the year to directors or managers or officers of the Bank or any of them either severally or jointly with any other persons ..	92,93,073.24		85,00,725	
(viii) Maximum total amount of advances, including temporary advances granted during the year to the companies or firms in which the directors of the Bank are interested as directors, partners or managing agents or, in the case of private companies, as members ..	..		..	
(ix) Due from banking companies, banks under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and foreign banks ..	2,97,36,324.95		1,24,40,168	
6. BILLS RECEIVABLE BEING BILLS FOR COLLECTION as per contra :				
(i) Payable in India	25,59,93,087.63		25,46,60,839	
(ii) Payable outside India ..	8,74,98,432.39	34,34,91,520.02	8,83,61,648	34,30,22,487
7. CONSTITUENTS' LIABILITIES FOR ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS per contra ..		33,77,70,507.00		24,51,23,663
8. PREMISES LESS DEPRECIATION :				
Cost as per last balance sheet ..	3,07,01,705.50		2,80,79,111	
Adjustment on account of conversion at new parity rate of figures relating to foreign branches on realignment of the parities of major international currencies in December 1971.	..		1,93,311	
	3,07,01,705.50		2,82,72,422	
Additions and transfers Rs. 1,00,171=13 *Less* : deductions Rs. 5,301=41 during the year ..	94,869.72		24,29,284	
	3,07,96,575.22		3,07,01,706	
Less : depreciation to date ..	50,35,419.99	2,57,61,155.23	45,47,364	2,61,54,342
Carried over ..		5,13,31,66,400.71		4,25,30,62,970

UNITED COMMERCIAL

BALANCE SHEET AS AT

CAPITAL AND LIABILITIES	31st December, 1972		31st December, 1971	
	Rs. P.	Rs P	Rs.	Rs.
Brought Forward		5,19,77,70,727.77		4,30,07,26,267
CONTINGENT LIABILITIES :				
(i) On Partly Paid Shares Rs. 57,94,640.00			58,48,740	
(ii) Claims against the Bank not acknowledged as debts Rs. 1,44,55,393.05			25,97,818	
(iii) Guarantees Given on behalf of Customers and Correspondent Banks Rs. 56,01,57,974.11			54,01,49,902	
(iv) Bills of Exchange Rediscounted with the Industrial Development Bank of India Rs. 9,54,46,468.56			9,13,55,805	
(v) Outstanding Forward Exchange Contracts Rs. 25,43,18,005.12			20,26,46,262	

NOTES :

1. The figures of "Balances with other banks on Deposit Account" are not comparable as money lent at notice exceeding 14 days for the previous year were included in "Money at Call and Short Notice". Similarly the figures for the previous year of "Borrowings from Other Banks" are not comparable as the money received at Call and Short Notice not exceeding 14 days were included under "Deposits and Other Accounts".
2. The Assets and Liabilities of the Karachi branch of the United Commercial Bank Ltd., stand entrusted to the Bank on its nationalisation. Such Assets and Liabilities continue to vest in the Custodian of Enemy Property, Pakistan, and since no further information was available about the Assets and Liabilities in Pakistan after 27th August 1965, these have been incorporated in the Balance Sheet at their net book value (at pre-devaluation parity) as on that date.
3. (a) Branch Adjustment Account at Head Office has been reconciled upto 30th June 1970 and reconciliation upto 31st December 1972 is in progress. Reconciliation statements in respect of balances as on 31st December 1972 in the case of some branch and bank accounts are under preparation.
   (b) The tallying of balances in some accounts as per General Ledgers with those as per Subsidiary Ledgers/Registers/Detailed Statements could not be completed at a few branches.
   Appropriate steps are being taken in this regard.
4. Full provision for Gratuity accruing to employees is not made in the accounts but lump sum contributions made to a Gratuity Trust Fund. The shortfall to date in respect of this liability has not been ascertained.

TOTAL Rs. :		5,19,77,70,727.77		4,30,07,26,26

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949

V.R. DESAI (*Chairman*)
S. LAKSHMANAN
S. D. PARELKAR
D. BANERJEE
PANNALAL DASGUPTA
GURSARAN SINGH
UPEN BORDOLOI
G. P. SINHA
NALINI AMBEGAOKAR
D. N. GHOSH
Directors

Calcutta,
31st May, 1973

BANK

1ST DECEMBER, 1972

PROPERTY AND ASSETS		31st December, 1972		31st December, 1971	
		Rs. P.	Rs. P.	Rs.	Rs.
Brought Forward ..			5,13,31,66,400.71		4,25,30,62,970
FURNITURE AND FIXTURES LESS DEPRECIATION : (Including equipment and vehicles)					
Cost as per last balance sheet ..		5,61,41,606.24		5,00,22,748	
Adjustment on account of conversion at new parity rate of figures relating to foreign branches on realignment of the parities of major international currencies in December 1971. ..		..		1,87,099	
		5,61,41,606.24		5,02,09,847	
Additions and transfers Rs. 59,51,033=93 *Less* deductions Rs. 3,11,882=63 during the year ..		56,39,151.30		59,31,759	
		6,17,80,757.54		5,61,41,606	
Less depreciation to date ..		3,09,02,652.70	3,08,78,104.84	2,68,64,927	2,92,76,679
OTHER ASSETS, INCLUDING SILVER :					
(i) Land and Buildings :					
Cost as per last balance sheet	Rs. 8,92,588.69			29,76,200	
Additions Rs. 3,96,138=38 *Less* deductions Rs. Nil. during the year	Rs. 3,96,138.38			4,21,821	
	Rs. 12,88,727.07			33,98,021	
Less Transfer to Premises account during the year	Rs. ..			24,52,045	
	Rs. 12,88,727.07			9,45,976	
Less Transfer to Furniture and Fixtures account during the year	Rs. ..	12,88,727.07		53,387	
				8,92,589	
(ii) Interest accrued on Investments		1,62,41,253.52		1,18,91,410	
(iii) Advance payment of Income-tax and Refunds due ..		1,35,05,454.00		54,04,768	
(iv) Stamps and Stationery ..		1,86,384.08		1,93,448	
(v) Silver ..		..		..	
(vi) Subscription for Investments		25,00,000.00	3,37,21,818.67	..	1,83,82,215
NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS :					
Land and Buildings (at cost) ..			4,403.55		4,403
PROFIT AND LOSS ..			..		..
TOTAL RS.			5,19,77,70,727.77		4,30,07,26,267

J. B. SUTARWALA
Chief Accountant

S. J. UTAMSING
General Manager

As per our report annexed.

PRICE WATERHOUSE, PEAT & CO
P. C. HANSOTIA & CO.
G. BASU & CO.
Chartered Accountants

UNITED COMMERCIA

PROFIT AND LOSS ACCOUNT FO

EXPENDITURE		Year ended 31st December, 1972	Year en 31st Decem 1971
		Rs. P.	Rs.
1. Interest paid on deposits, borrowings, etc.	..	14,52,07,957.02	13,11,47,
2. Salaries and allowances and Provident Fund	..	9,46,32,469.50	8,54,47,
3. Directors' and Local Committee Members' fees and allowances	..	13,350.00	15,
4. Rent, Taxes, Insurance, Lighting, etc.	..	1,12,18,609.21	92,88,
5. Law Charges	..	1,57,560.12	1,26,
6. Postage, Telegrams and Stamps	..	50,36,667.49	48,85,
7. Auditors fees	..	3,95,610.30	2,95,
8. Depreciation on, and repairs to, the Banks' property	..	51,79,163.44	47,63,
9. Stationery, Printing, Advertisement etc.*	..	62,05,598.22	60,37,
10. Loss from sale of, or dealing with, non-banking assets	..	..	..
11. Other Expenditure	..	84,64,870.59	66,91,
12. Balance of Profit subject to Bonus	..	1,80,77,722.44	1,80,44,
TOTAL Rs.		29,45,89,578.33	26,66,43,

*Includes expenditure of Rs. 14,88,922.66 (Previous year Rs. 11,87,886) on Public Relations and Publicity.

Particulars of remuneration paid to Chief Executive Officer :

Past Custodian from 1-1-1971 to 31-8-1971	Present Chairman and Managing Director as Custodian from 1-9-1971 to 31-12-1971		As Custodian from 1-1-1972 to 10-12-1972 and as Chairman & Managing Director from 11-12-1972 to 31-12-1972
Rs.	Rs.		Rs. P.
48,000	15,000	(i) Salary ..	45,000.00
4,000	..	(ii) Allowances ..	..
4,000	1,250	(iii) Contribution to Provident Fund ..	3,750.00
6,000	1,500	(iv) Monetary value of perquisites calculated in accordance with Income-tax Rules ..	4,500.00
555	372	(v) Medical Aid ..	2,311.27
62,555	18,122		55,561.27

The above Accounts have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 19

V. R. DESAI (*Chairman*)
S. LAKSHMANAN
S. D. PARELKAR
D. BANERJEE
PANNALAL DASGUPTA
GURSARAN SINGH
UPEN BORDOLOI
G. P. SINHA
NALINI AMBEGAOKAR
D.N. GHOSH
Directors

Calcutta
31st May, 1973

ANK

E YEAR ENDED 31ST DECEMBER, 1972

INCOME (*Less* provision made during the year for bad and doubtful debts and other usual or necessary provisions)		Year ended 31st December, 1972	Year ended 31st December, 1971
		Rs. P.	Rs.
nterest and Discount	..	25,83,60 227.40	23,08,44,709
Commission Exchange and Brokerage	..	3,40,21,318·44	3,28,61,489
Rents	..	21,43,534.76	20,64,674
Net profit on sale of investments, gold and silver, land, premises and other assets (Not credited to Reserves or any particular Fund or Account)	..	..	..
Net Profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular Fund or Account)	..	..	..
ncome from non-banking assets and profit from sale of, or dealing with such assets	..	..	2,82,898
Other receipts	..	64,497.73	5,89,610
Loss	..	..	..
TOTAL Rs.		29,45,89,578.33	26,66,43,380

J. B. SUTARWALA
Chief Accountant

S. J. UTAMSING
General Manager

As per our report annexed.

PRICE WATERHOUSE, PEAT & CO
P. C. HANSOTIA & CO
G. BASU & CO.
Chartered Accountants

Report of the Auditors

The President of India

1. We have audited the foregoing Balance Sheet of United Commercial Bank as at 31st December 1972, and al[so] the foregoing Profit and Loss Account of the Bank for the year ended upon that date in which are incorporated t[he] returns of 64 branches audited by us, 381 branches audited by other auditors and unaudited returns in respect of [...] branches not visited by us. The branches to be audited by us and the branches to be audited by other auditors ha[ve] been selected by the Bank, in accordance with the guidelines issued to the Bank by the Reserve Bank of India.

2. The Balance Sheet and Profit and Loss Account have been drawn up in forms 'A' and 'B' respectively of t[he] Third Schedule of the Banking Regulation Act, 1949. Accordingly, they disclose such matters as were required to be d[is]closed in the case of banking companies prior to nationalisation by virtue of the provisions of the said Act as read w[ith] the related provisions of the Companies Act, 1956. Subject to the limitations of such disclosure and on the basis of t[he] audit indicated in the first paragraph, and the notes on the accounts, we report that:—

(a) In our opinion and to the best of our information and the explanations given to us and as shown by t[he] books of the Bank:—

(i) the Balance Sheet read with the notes thereon is a full and fair Balance Sheet containing the nec[es]sary particulars and it is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank [as] at 31st December, 1972;

(ii) the Profit and Loss Account read with the notes thereon shows a true balance of profit for the peri[od] covered by the Account;

(b) We have obtained all the information and explanations which to the best of our knowledge and belief w[ere] necessary for the purposes of our audit and have found them to be satisfactory;

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(d) The returns received from the offices and branches of the Bank have been found adequate for the purpo[ses] of our audit.

PRICE WATERHOUSE, PEAT & C[O.]
P.C. HANSOTIA & C[O.]
G. BASU & C[O.]
Chartered Accountan[ts]

Calcutta
31st May, 1973

THE TATA IRON AND STEEL COMPANY LIMITED

Chairman's Statement

The following is the statement of Mr. J. R. D. Tata, Chairman of the Tata Iron and Steel Company Limited, for the year 1972-73.

I must first refer to the igic death of Mr. Mohan ımaramangalam, Minister Steel and Mines, in the al aircraft accident that ok place in Delhi on the st of May.

To most shareholders of e Steel Company, Mr. Kuıramangalam was probably ly known as a brilliant lawr, a leading member of the nion Cabinet to whom the e of the Indian steel indus-, including that of your mpany, had been entrusted the Prime Minister, and e author of the concept of e holding company for pub- sector enterprises, of which e Steel Authority of India AIL) was the first to be ablished. Those, however, o, like myself, knew Mr. ımaramangalam well and d worked closely with him, uld appreciate the true aracter and outstanding ilities of this remarkable d dynamic man.

Although Mr. Kumaramanlam believed in a form of cio-economic organisation which, by definition, largele private enterprise has significant role to play, was far from dogmatic on e subject. A realist, he was imarily interested in results, ether the means necessary achieve them conformed olly with his ideological eferences or not, and in the irch for the right practical cision he was always ready d willing to listen to views ferent from his own. Once came to a conclusion in y matter, he took decisions dly and acted on them with spatch and determination. was indeed a rare and reshing exception in a Government in which, in recent years, the decision-making process in economic matters has at times reached a state of near paralysis. To us in the Steel Company he proved a most decisive and helpful Minister to whom one could turn for advice and assistance in over-coming obstacles to higher production. We cannot but mourn the loss to the country of a warm, honest, and immensely capable man. Our sincere sympathy goes to the Prime Minister for the grievous loss which she and her Government have suffered in his death.

4. Before commenting on our own affairs, I must once again violate my desire not to renew the practice I used to follow in earlier years of inflicting on the shareholders general observations on the state of the economy for, so grave are the perils, and therefore the challenges, that confront us today, that as Chairman of the largest private sector Company in the country it would be remiss of me not to offer some comments and suggestions.

Challenge of the economic crisis

5. That we are in trouble is only too clear from the continuous and growing shortages that plague the country and its people, from the alarming and seemingly uncontrollable rise in prices, particularly of consumer goods and from the woefully low rate of growth of our national product which, combined with the relentless growth of our population, has brought our per capita growth to the vanishing point.

6. We no longer have a sizeable buffer stock of food grains and can no longer hope to be easily rescued by large-scale imports, both because they are scarce today and because world inflation has made imports so costly as to be beyond the capacity of our limited foreign exchange resources to finance without jeopardising our other essential requirements. Because the massive doses of deficit financing and taxation to which we resorted during the past few years were largely disbursed on non-developmental expenditure, the resulting inflation condemns us to all the penalties of inflation without any of its advantages.

7. One thing that is absolutely clear is that any policy which, for whatever reason, discourages investment in, and the growth of, basic producer and consumer goods industries, can only result in greater shortages, and therefore greater inflation. No matter how good a system of distribution may be, and we have yet to see one in our country, it must inevitably break down in a regime of shortages.

Need of the hour: Increased production & investment

8. In the critical economic situation in which we find ourselves, salvation can only come from a rapid and massive increase in production, equitably distributed. What is needed is a rational, innovative, undogmatic package of industrial policies and measures calculated to promote production and investment in the priority industries, coupled where justified, with fiscal relief again directly geared to promoting investment. If, to achieve these objectives, the prices of basic products, which have been up to now kept below economic levels, rise to some extent, it should not be forgotten that as things stand today, the consumer pays black market prices for scarce commodities and most of them are scarce. Only policies and measures directed at increased production and investment can destroy the black market and eliminate the shortages on which it feeds and which have bedevilled economy for so long.

9. At no time in the past twenty-five years has there been a greater need for courageous, clear-thinking and decisive action. One favourable monsoon will not remedy the scarcities which have accumulated during eight years of non-development, but it can give us breathing time to introduce and pursue a series of policies and managerial measures that will restore our productive assets to a fuller utilisation and make possible fresh capital investments in new productive capacity without which there can be no economic growth.

Note of warning

10. While this is hardly the place to suggest specific policies and measures, I may be forgiven for uttering at least a note of warning to the private sector of industry and trade on the one hand, and to our policy-makers on the other.

11. I urge the former to realise that in the present temper of the country and in the scarcity conditions prevailing over almost the whole range

consumer products, prof-ring, directly or circuitously, l other malpractices, apart m being morally wrong, l be fatal in the long run those indulging in them by eashing against them for- and reactions from the sequences of which there l be no return.

To Government, I would ad that a reasonable rate economic growth, with so- l justice, can never be achi- d under a set of policies ich restrain investment in name of combating infla- n or of curbing a mythical centration of economic ver in private hands. I once in repeat that there can no detrimental concentra- n of such power in an eco- ny operating under the all- bracing regime of controls, ences and permits which sts in our country.

other disappointing year

Coming to our own affairs, am sorry that once again have little cheer to bring to shareholders through the ges of our Annual Report, counts and this Statement. r us the year 1972-73 has en merely a frustrating re- tition of earlier frustrating ars. Not only have we fail- to achieve the increase in oduction we had planned d worked for, but our pro- margins have continued to eroded by a relentless in- ease in costs, only partly mpensated by the increase prices sanctioned by Gov- nment in July last year.

. So far as production is ncerned, although we have ade substantial progress in r sustained programme for proving the quality and uni- rmity of our raw materials d in the replacement of our ke ovens and other equip- ent, we have not been able surmount all the obstacles higher production of steel hich, in fact, was, last year, e lowest since 1961-62. The ailability of surplus ingots om Hindustan Steel enabled , however, to make up for e deficiency in our ingot pro- ction and to achieve a fair- ly satisfactory output of finish- ed steel

Shortages of Power, Coal and Transport

15. Unfortunately, the situation took a serious turn for the worse after the close of the year under review, when shortages of power, coal and rail transport, from which, in fact, the whole country has grievously suffered in the past few months, severely affected production at Jamshedpur. Interruptions in the supply of DVC power became so serious during the months of May and June that on some days production fell to a fraction of capacity. The situation has somewhat improved since then but it is clear that even if power, coal and rail transport were to be fully available for the rest of the year, which is doubtful to say the least, the current year's production will once again be below our expectations.

16. While shortages in hydel power arising from inadequate rainfall may be considered an act of God, it is nothing less than tragic, and in many ways inexcusable, that the economy of the country, already hard hit by the loss of food production and the consequences of years of ever-growing deficit financing, should have had inflicted upon it man-made, and therefore avoidable, shortages of coal and thermal power, which in some regions literally crippled industrial production. The shortages of thermal power were mainly due to low equipment utilisation of existing capacity due to poor maintenance and operation on the one hand and to the investment famine of the last eight years on the other which retarded the growth of capacity.

17. Shortages of coal have been particularly disturbing and, unless quickly eliminated, will again threaten industrial output in the current year and the next. Of all the inputs of industry, none are more vital than coal, electric power and rail transport. I would, therefore, urge, as I did in another context, that, in the light of the many difficulties and obstacles to full production faced in our country, our five-year plans should include a margin of not less than 15% over estimated requirement in the capacity provided for these three basic infrastructural elements.

Steel Prices

18. As regards the profitability of our operations, which naturally depends on the margin between manufacturing costs and selling prices, we started the year, as explained in the Directors' Report, with a backlog of uncompensated cost escalation of Rs 113 per tonne, against which Government granted in July 1972 an increase in price of Rs 42 per tonne on our product-mix. As this was available to us for only eight months, it amounted to an increase of only Rs 30 per tonne for the whole year. In the same year, however, our costs further escalated by substantially more than Rs 30, with the result that our profit margins were further eroded, the effect of which erosion can be seen from the annexed profit and loss account.

19. A lack of profit or an increase in loss in the private sector may, under the strange interpretation of socialism prevalent in our country, be a matter of indifference, if not rejoicing in some quarters. What has unfortunately not been appreciated upto now is that the health, productivity and growth of industry, whether in the private or public sector, cannot be maintained without constant replacements of worn out and obsolete equipment. In capital intensive industries such as ours this requires expenditure, year after year, of very large sums of money. While expansion can be financed largely by borrowings and additions to share capital, replacements and renovation can, in the long run, be financed only from earnings.

Need for replacement finance

20. In the era of unrelenting inflation in which we live, the cost of equipment required f- replacement of worn out o- obsolete assets invariably ex- ceeds their original cost by a very wide margin. Therefore as I have so often said in th- past, the amounts set asi- for depreciation calculat- on original cost are totally in- adequate to finance replace- ments.

21. It is clear, therefore, th- if the health and vitality o- an industry is to be maintain- ed, it must be allowed to earn sufficient resources, over and above depreciation, to plough back into replacements and modernisation, after paying a reasonable dividend to th- shareholders, whether they b- Government or individual.

22. In a controlled industry such as ours, adequate fund- for replacement must neces- sarily be provided in the price structure. Unfortunately this has been far from bein- the case. The prices allowed to the main producers during the past 25 years have been maintained at levels far be- low world prices, denying even adequate provisions fo- depreciation, let alone the op- portunity for any ploughback

Inadequate Depreciation

23. Ever since 1962, the ele- ment in the steel price allow- ed for depreciation has re- mained at 5% of a notiona- capital cost of Rs 1,176 pe- tonne of capacity. On our 1- million tonnes capacity, thi- provides only Rs 60 per tonn- or Rs 9 crores annually. To- day the average cost of ou- block comes to over Rs 2,00- a tonne, whereas the cost o- new capacity and, therefore of replacements is around R- 4,000 per tonne. Thus the de- ficiency in the prices allowed to the producers on account of depreciation alone has been in our case, Rs 40 per tonne or Rs 6 crores per year o- the basis of the lower figur- of Rs 2,000 and our plant half of which is over 50 year- old, has thus been starved o- funds for expenditure on re- placements and modernisati- to the extent of anything up- Rs 60 crores over the last de- cade. As during the sam- period our dividends have bee-

aintained at the same mo-est level, we can hardly be ccused of frittering away on ividends funds which should ave been used for replace-ents and renovation.

4. Year after year, in fact ver since Independence, I ave in vain pleaded with overnment to adopt pricing olicies more consistent with conomic realities. For the rst ten years or so after Vorld War II, our retention rices were maintained at le-els so far below those pre-ailing throughout the world hat at one time they were ctually half those at which eel could be imported. Al-hough the gap has narrowed nce then, the average prices llowed to the Indian steel roducers are still substantial- below those earned by steel akers abroad. What is the stification, therefore, for de-ying to the Indian steel in-ustry economic prices which ould ensure its health and ficiency and still leave the ndian consumer better off ıan his counterparts abroad?

5. It is, therefore, difficult to nderstand why, to this day, overnment have insisted, gainst all logic and common-nse, on adhering to such an nsound price policy. That ey have not done so in order protect the consumer is ear from the fact that, year ter year, they have imposed creasingly high excise duties n steel which, today, at ab-ıt Rs 335 per tonne, repre-nt, on the average, some 5% of the prices allowed to e producers and mulct Rs 50 crores a year from the nsumer.

enewed Plea for Realism....

6. I realise that, with infla-on stalking the land, with e bulk of our people har-ssed with shortages and spi-lling prices and hard put find the means to pay for e bare necessities of life, crifices must be made by l those who can afford them. also realise the enormous essures to which the Fin-nce Minister is subjected in nding funds for meeting the untry's essential needs. I have never pleaded, therefore, nor do I do so today, for additional profit to be allowed to industry to enable it to pay higher dividends to shareholders, however much, as your Chairman, I would like you to have them. I only ask that, at long last, our Government recognise the follownig realities of economic life:

That our current inflation does not flow from the prices of basic industrial products;

That the cure for inflation, therefore does not lie in denying economic prices to core and priority industries;

That a fair return is as essential to promoting increased production and efficiency in basic industries as in any other industry;

That to deny such industries the wherewithal to maintain increased production can only result in more intensified inflation due to more intensified shortage;

That pricing policies which starve priority industries of their basic needs, while allowing high profitability and therefore easy access to unlimited finance to non-priority industries, make no economic sense;

That such policies can only intensify scarcities in essential materials which benefit neither the producer in terms of a fair return on capital, nor the consumer in terms of fair prices, nor Government in terms of growing tax revenues.

....and a rational pricing policy

27. It is axiomatic that the continuous expansion of the steel industry is essential to the growth of our economy, but its cost will be so great that finance from abroad in the form of deferred credits as well as Government-to-Government or World Bank loans must necessarily form essential elements of financing such expansion, whether in the private or the public sector. Pricing policies which ensure year after year that the steel industry cannot operate efficiently, and most of it operates at a loss, cannot but raise doubts in the minds of those whose help is sought. There is thus an unanswerable, and in fact imperative, case for fresh thinking on the part of Government leading to a revision of their pricing policies.

28. We are running out of time, for the damage already caused to the economy by the investment famine of the last eight years, due at least in part to pricing policies in controlled industries as well as to other deterrents imposed by Government, has reached the point where it will take years to repair.

29. The subject I have discussed at such length in previous paragraphs, because of its fundamental importance not only to the shareholders of Tata Steel but to industry as a whole, leads me to the project for the future expansion of capacity at Jamshedpur.

Expansion Project

30. In the course of my statement last year I referred at some length to the possibility of a large-scale expansion of steelmaking capacity at Jamshedpur. Although this project is still only at an exploratory stage, a positive initial step has been taken in arranging, with the approval of Government, for a feasibility study to be undertaken by Nippon Steel, the leading manufacturers of steel in Japan and, today, the largest single steel producer in the world. Nippon Steel have undertaken to submit, afer seven months, their report and recommendations on a possible expansion of about two million tonnes of flat-rolled products.

31. I am glad that the Government of India have agreed to this survey being undertaken by experts from Japan for, in the last decade, the growth of the Japanese steel industry has not only outstripped that of any other country in the world, but Japan is today a world leader in the design, construction and operation of iron and steel plants.

32. It is significant, and unfortunately not appreciated in our country, that the phenomenal growth and efficiency of the Japanese steel industry has been largely due to the fact that, although wholly in the private sector, it has received total support from the Japanese Government, as a result of which it has been able to invest astronomical sums, largely provided by the banking system, for new plants and the renovation of old ones. In this connection, shareholders may be interested to know that the oldest steelmaking facilities in current use in Japan are only as old as the youngest units at Jamshedpur.

33. Whatever the recommendations of the Japanese consultants, the cost of a two million tonne expansion in flat-rolled products will, in any case, run into many hundreds of crores of rupees and the problem of how it can be financed, and its ultimate effect on our capital structure, will be a formidable one.

34. In view of the great national importance of the project, we have assured Government of our full cooperation in bringing it to fruition. At the same time, we have urged that the legitimate interests of the existing shareholders should be safeguarded and you may rest assured that we shall always do everything possible to ensure that this aspect of the matter is not overlooked.

Conditions for Survival

35. I am convinced that the salvation and survival of our Company as a viable and prosperous unit of the Steel Industry will depend on three things, namely, on the Jamshedpur plant being expanded; on its continuing to be run efficiently and as near rated capacity as practicable; and, on steel prices being fixed at a level which will enable efficiently run plants to finance the continuous and essential

rocess of renovation and mo- ernisation in addition to oviding these owners with fair return.

irectors

. Before closing, I wish to ke this opportunity to ex- ess my personal apprecia- on of the decision taken by ree of our senior-most Dir- tors, Mr Dharamsey Kha- u, Mr Neville Wadia and r Fazal Ibrahim Rahimtoola make room on the Board r three senior officers of e Company by not offering emselves for re-election this ar or by resigning a year ead of the due date. The Board have recorded their warm appreciation of this gesture and of the great services rendered by these Directors to the Company over three decades with which, I am sure, the shareholders will wish to associate themselves.

37. It is a sound and desirable principle, followed for many years in Tatas, and well established in other parts of the world, that top executives of proven ability and dedication should be associated as Board members in the policy-making process. I therefore warmly commend to the shareholders the appointment at the Annual General Meeting of Messrs P. Anant, S.S. Vaze and H.P. Bodhanwalla.

38. In closing, may I once again, on your behalf, thank our management, staff and workers for their continuing hard work, loyalty and support under the most trying conditions, imposed by the severe shortages and interruptions in the supply of power, coal and transport mentioned earlier which have so complicated and disrupted the Plant's operations. Our workers whose earnings depend to a substantial extent on incentive schemes, are directly affected by loss of production. It is to their credit that they have appreciated that th cause of their loss of incom was wholly beyond the co trol of management who hav done, and will continue to d all within their power to allo them maximum relief, inclu ding supplies of foodstuffs an meals at subsidised prices. sincerely hope for their sak as well as the Company's an the country's that the dread ful conditions that prevaile in May and June will not recu in the future and full produc tion will soon be re-establish ed and maintained thereafter

Bombay, J.R.D. Ta
13th July, 1973 Chairma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INDIAN SUGAR MILLS ASSOCIATION

Extracts from the presidential address of Shri M. L. Apte delivered at the 40th Annual General Meeting of the Indian Sugar Mills Association held on 21st July, 1973 at New Delhi

Amongst agro-based indus-
es sugar holds a predomi-
nt position. Naturally its
formance engages wide-
ead attention. Last year,
look on sugar production
peared to be rather gloomy.
ronic symptoms like high
prices, drought condi-
ns, lower acreage were ma-
est. The early estimate did
exceed 3.3 million tonnes
l yet at the end of the year
production will reach ab-
3.9 million tonnes, an
rease of about 20%. One
uld naturally wonder how?
e answer, is obvious. Giv-
the right policies our in-
stry can produce all the
ar the country needs and
re. The question then ari-
what are the right poli-
s?

n answer to this question,
s necessary to explain many
uliarities inherent to this
ustry. There appears to be
siderable misunderstanding
st of it, is uninformed and
times also deliberate.
To begin with, the indus-
is blamed for the flunctua-
g production from year to
r. It must be explained
t sugarcane is a perishable
material unlike cotton,
eeds, etc. It cannot be
nsported over long distan-
. A sugar factory has to
pend only on the cane avail-
e within a radius of about
miles. Dislocation of sugar-
e availability for any rea-
directly affects sugar pro-
tion.

Which are the factors that
and do affect sugarcane
plies? The foremost of
rse is the acreage under
arcane which depends on
relative profitability vis-a-vis other crops. Also the yields and recovery of sugarcane vary according to climatic conditions, pest and diseases, etc. The other important factor is the relative economics of gur, khandsari and sugar. The sugar industry is heavily handicapped to compete with the gur and khandsari manufacturer in offering the cane grower a better cane price due to wide tax disparity and the latter's complete immunity from controls. Periodic cycles of fluctuating production are primarily due to the shifting of cane between these three users. Average variation in sugar production during last decade was 22% while for gur and khandsari it was only 6.3%.

In the circumstances the mechanism of partial decontrol becomes necessary. It has time and again proved effective in increasing sugar production. This policy is designed to be fair to the grower and also to the consumer. From the 70% levy sugar, the consumer, particularly the weaker section gets enough sugar at a subsidised price to meet his normal requirements. Additional consumption of course costs the consumer more. It is but natural as the 30% free sugar price has to recoup the loss on 70% levy sugar. The year 1972-73 proves the effectiveness of this policy. The farmers throughout the country received substantially higher prices than the government notified. In the U.P. and Bihar the prices ranged between Rs 120 to Rs 135 per tonne of cane. In Maharashtra the range would be between Rs 140 to Rs 170 per tonne. In comparison, the net average sugar price during the year (minus excise) was not at an unreasonable level.

Given the same policy as in the past year, the coming season could be a record sugar production year. The crop throughout the country despite drought affected regions is reported to be good. An 11% increase in acreage is estimated. Government have already announced the basic policy which aims at maintaining status quo both in regard to the statutory minimum cane price and sugar policy. However, the policy on excise incentives yet remains to be declared. It is very necessary to declare the policy in this regard at the earliest. In many areas the factories will have to start early to finish all the cane. Recovery of sugar is bound to be lower in this period. Excise incentives, as in the past year, will compensate the factories for the lower recoveries and help maintain a reasonable cane price. The exchequer also would not be at a loss. For instance, during 1972-73, even after allowing the excise rebate, the net additional revenue to the Exchequer would be over Rs 20 crores. In sugar industry, with its special problems, there is need for a long term policy of excise concessions. For the year 1973-74 the base year for rebate should be the average of previous two years' production. Also, the rebate entitlement should be over 100% and not 115% of the base year's production.

Apart from the fluctuating production there are many misgivings about sugar industry. The critics allege that the industry does not pay a fair cane price; does not pay it on time; the prosperity is not shared with the farmers; and industry's contribution to cane development effort is inadequate; industry is obsolute, inefficient and sick and thereby the consumer interest suffers. Much of these are misinformed allegations.

It is well known that the cane price to be paid by every sugar producer is fixed and notified by the Central Government. Under total control sugar price is fixed on the basis of the notified cane price. Under partial or total decontrol the industry does share the higher sugar realisation with the grower by paying a higher cane price. As for the timely cane payment, it is true that in the past in some units cane payments have remained in arrears. However, the amount overdue from the industry as a whole was an insignificant percentage of the total cane price paid. In any case, the industry has, in consultation with the Nationalised Banks, evolved a procedure under which cane payment cannot remain in arrears. Similarly the State dues are now paid at the time of despatch as in the case of excise duty and there could be no question of arrears.

Cane development is another area where the industry is blamed for its indifference or lack of contribution. The industry as a whole cannot be accused on this score. The Joint Stock sugar industry in Maharashtra virtually paved the way for cane development in that State. Even in the Southern States of Mysore, Andhra and Tamil Nadu,

cane development has been satisfactory due to the direct relationship between the grower and the manufacturer. In contrast in the Northern region the industry is compelled to deal with the growers only through the cane societies and the absence of direct contact between the industry and grower has retarded cane development.

The industry is also accused of being obsolete, inefficient and sick. The charge is not quite fair. Industry has met and surpassed every Plan target for sugar production. From an importing country we are now established as an exporting country. Our quality has been well accepted on the export market. The country has virtually become self-sufficient even in sugar machinery manufacture. Actually, our sugar plants and technology are being exported to other parts of the world, and yet the industry is being accused as being obsolete and inefficient.

It is also said that much of the industry is sick and that the sickness is essentially on account of obsolescence and inefficiency and that it is confined to the private mills. This is totally incorrect and the problem is not at all alarming. The sickness to the extent it is prevalent is common to all the sectors including co-operative and the public. To remove sickness the present pricing policy on both cane and sugar needs an urgent review.

The Indian Sugar Mills Association has put forward after mature consideration the Sick Units Scheme. It is an effort to discharge the social responsibility constructively. Sick mills, however, small in number should not be a burden on the society. Towards this end it is proposed to raise an initial contribution of Rs 1 crore to meet the working losses of the sick units. The losses suffered in the running of these sick mills will not be a burden on the consumer.

There is a mistaken notion that Indian sugar is expensive. The fact of the matter is that sugarcane constitutes the single largest element of cost in sugar. State and Central levies is the next highest item of cost also beyond the industry's control. Inspite of the high incidence of the cane cost, it can be said with confidence that exclusive of taxes we are one of the world's cheapest sugar producers.

Apart from the grower and the consumer, labour is the next most important section in the industry. This is one industry that can be legitimately proud of its record in labour relations. Sugar worker is the highest paid worker in rural areas. He enjoys many of the benefits like housing, medical, education, recreational facilities that are not even available to many urban industrial workers. The industry has fully implemented all the wage board awards. Strikes and industrial disputes are uncommon to sugar industry, an indication of a fair attitude towards the workers.

The State and the Central Government also have been the largest beneficiaries of this industry. Annually, the State Governments collect about 30 crores of rupees by way of purchase tax, duties, etc. The Central Government revenues through excise duties amounts to Rs 180 crores. More important than the revenues collected is the industry's role in meeting the national objective of rural development. No other industry has or can achieve as much as sugar. It can only play an evergrowing role in fulfilling this national objective. The nations requirement of sugar is rapidly growing. Estimated demand for sugar by the end of the 5th Plan will be 6 million tonnes. To meet this demand additional capacity of 1.7 million tonnes will have to be established through 124 new units. The investment needed will be approximately Rs 450 crores. Cane development required will be colossal. To succeed, a concerted effort by all will be needed. No one sector private, public or cooperative can do it alone. Sugar is an essential item of daily consumption. To deal with the special problems peculiar to this industry, considerable flexibility in management is needed. The private sector has the necessary flexibility and resourcefulness. In fact its success inspite of the many restraints is due to these qualities and experience gained over last 40 years. It would be wasteful to loose it especially in the wake of new challenges facing the industry. No national gains can be derived by nationalising this industry.

In some quarters co-operativisation of the private industry is being suggested as an alternative to nationalisation. There is absolutely no justification for this suggestion. Ideology or sectoral loyalty apart, on what basis is the co-operative sector considered more desirable. Has this sector made sugar any cheaper for the consumer? Has this sector contributed any more to the Exchequer? Has it bestowed any special benefits on the workers? Has the society having invested so much in establishing this sector gained a more than from the priv sector? The honest answer all these questions must be the negative. The only ba of the claimants seems to be t apparent success of this se tor in the State of Maharas tra but then the private sect performance in this State not any the less. If anythin it is better. Even in the matt of cane price, cane supplier the private sector is no wor off than his counterpart in th co-operative sector. In othe sugar producing States th sector has had just as muc share of success or failure a the private sector. In an es sential consumer goods indus try, like sugar, monopoly o any one sector is fraught wit danger and thus thoroughl undesirable

The Sugar Enquiry Commission no doubt has studied the subject in depth. It has already submitted its report to the Government. It is hoped that the decision when taken will not be influenced by ideology.


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RECORDS AND STATISTICS

/holesale rices

E WHOLESALE PRICE Index se 1961-62=100) rose by 1.3 cent in April, 1973 over rch, 1973. The index ad- iced from 219.9 in March 222.7 in April. The all com- dities index during April, 73 showed a sharp rise of 8 per cent over the corres- nding month of the preced- year. The rise in the impor- t constituent groups in April, 73 over March, 1973 was .4 per cent in food articles, 2.8 per cent in industrial raw terials, 0.9 per cent in manu- tured articles. 'chemicals' e by +1.2 per cent and chinery and transport equip- nt' by +0.7 per cent. Two all groups 'liquor & tobacco' 1 'fuel, power, light and ricants' did not reflect much nge. The increase in the ee principal group index over period of one year (April 73 and compared to April, 72) was +18.6 per cent in d articles, +39.9 per cent in ustrial raw materials and anufactures'+6.8 per-cent.

od articles

The sub-group index for reals' went-up by 0.2 per cent 245.4 due to higher prices all the cereals except wheat 1 barley. The sub-group in- for 'pulses' recorded a fall 0.4 per cent to 359.7 due to sharp fall in the prices of ar. The indicies of other ses, however, moved up. e sub-group index for 'fruits 1 vegetables' declined slight- (+0.2 per cent to 225.4).

uor & tobacco

The index for 'liquor & acco' group declined by 0.3 r cent to 245.4.

el, power, light & lubricants

The index for this group re- mained unchanged at its last month's level of 187.5.

Industrial raw materials

Higher prices of cotton raw, jute raw, and mesta, wool raw, silk, raw and coir fibre raised the sub-group index fo 'fibres' by 4.0 per cent to 187.4 The sub-group index for 'oilseeds' advanced by 3.0 per cent to 298.7.

Cheimcals

The index for 'chemicals' group registered a rise of 1.2 per cent.

Machinery, transport, etc.

The sub-group index for 'electrical machinery' went up 1.7 per cent to 174.9. The index for non-electrical machinery also moved up by 0.6 per cent to 183.5.

Intermediate products

The index for 'intermediate products' went up by 1.9 per cent to 232.6 due to higher prices of yarn.

Finished products

Higher prices of cotton manufactures (+0.6 per cent to 171.3), jute manufactures (+2.7 per cent to 190.0) and silk and rayon manufactures (+1.6 per cent to 131.0) raised the sub-group index for 'textiles' by 1.1 per cent to 173.6. The index for 'metal products' advanced by 0.3 per cent. The sub-group index for 'oilcakes' declined by 1.4 per cent to 286.4

Index Numbers of Wholesale Price by Groups & Sub-Groups

(Base 1961-62=100)

Groups & Sub-group	April 1973	March 1973	April 1972	Percentage change April '73 / March '73	Percentage change April '73 / April '72
Food articles	256.8	253.3	216.4	+1.4	+18.6
Foodgrains	266.2	265.9	221.7	+0.1	+20.1
Cereals	245.4	244.8	209.0	+0.2	+17.4
Pulses	359.7	361.0	279.4	—0.4	+28.7
Fruits & vegetables	225.4	225.8	193.4	—0.2	+16.5
Milk & milk products	244.5	233.9	221.8	+4.5	+10.2
Edible oils	287.0	275.8	196.2	+4.1	+46.3
Fish, eggs & meat	298.3	297.7	257.1	+0.2	+16.0
Sugar & allied products	271.7	274.5	247.6	—1.0	+9.7
Others	178.2	170.2	160.8	+4.7	+10.8
Liquor and tobacco	245.4	246.1	216.5	—0.3	+13.3
Fuel, power, light & lubricants	187.5	187.5	177.7	—	+5.5
Industrial raw materials	244.5	237.9	175.5	+2.8	+39.9
Fibres	187.4	180.3	153.0	+4.0	+22.5
Oilseeds	298.7	290.0	196.1	+3.0	+52.3
Minerals	143.1	142.5	135.5	+0.4	+5.6
Others	238.9	236.8	175.1	+0.9	+36.4
Chemicals	208.4	206.0	198.8	+1.2	+4.8
Machinery & transport equipment	172.3	171.1	165.4	+0.7	+4.2
Electrical machinery	174.9	171.9	170.0	+1.7	—4.2
Non-Electrical machinery	183.5	182.4	173.4	+0.6	+5.8
Transport equipment	150.0	150.0	146.9	—	+2.1
Manufactures	185.2	183.5	173.4	+0.9	+6.8
Intermediate products	232.6	228.2	205.3	+1.9	+13.3
Finished products	173.7	172.6	165.6	+0.6	+4.9
Textiles	173.6	171.7	171.2	+1.1	+1.4
Cotton mfrs.	171.3	170.2	164.6	+0.6	+4.1
Jute mfrs.	190.0	185.0	202.7	+2.7	—6.3
Silk & rayon mfrs.	131.0	129.0	132.1	+1.6	—0.8
Woollen mfrs.	212.0	212.0	194.4	—	+9.1
Coir mats, mattings	201.4	201.4	183.0	—	+10.1
Metal products	204.3	203.7	190.9	+0.3	+7.0
Non-Metallic products	161.9	161.5	156.1	+0.2	+3.7
Chemical products	159.1	158.1	153.4	+0.6	+3.7
Leather products	100.1	100.1	98.0	—	+2.1
Rubber products	159.8	159.3	159.3	+0.3	+0.3
Paper products	139.6	139.6	139.9	—	+2.0
Oil cakes	286.4	290.5	178.1	—1.4	+60.8
Misc. products	124.5	124.5	124.2	—	+0.2
All commodities	222.7	219.9	192.3	+1.3	+15.8

Source : Ministry of Industrial Development, Government of India.

Index Numbers of Industrial Production

(Base : 1960=

	Items	weights	1961	1965	1969	1970	19
I.	**General Index**	100.00	109.2	153.8	172.5	180.8	186
II.	**Basic Industries**	25.11	112.7	164.3	212.0	221.7	233
	Mining and quarrying	9.72	105.4	131.7	147.4	149.0	151
	Heavy inorganic chemicals	0.69	121.4	213.8	308.0	337.4	354
	Cement	1.17	105.1	134.8	173.7	177.9	190
	Basic Metal	7.38	118.7	180.9	209.7	205.5	208
	Iron and steel basic industries	6.23	121.0	185.3	201.2	187.8	186
	Aluminium manufacturing	0.57	110.6	236.1	424.0	508.7	557
	Electricity	5.37	116.3	190.9	301.1	334.0	358
III.	**Capital Goods Industries**	11.76	118.0	244.2	214.0	224.6	224
	Prime movers, boilers and steam generating plants	0.59	130.3	438.6	496.9	486.4	558.
	Industrial machinery	0.93	111.0	153.6	130.6	120.6	86.
	Machinery components and accessories	1.06	121.2	428.8	360.9	396.0	440.
	Electrical cables and insulated wires	0.68	104.2	198.3	201.9	220.1	256.
	Railroad equipment	3.60	126.2	259.2	116.8	93.7	69.
	Motor vehicles	2.51	104.2	136.0	145.2	157.8	168.
IV.	**Intermediate Goods Industries**	25.88	105.8	140.1	154.4	158.9	160.
	Cotton spinning	11.79	108.4	120.9	127.8	127.1	117.
	Jute manufactures	3.97	89.1	120.3	77.8	85.1	94.
	Manufacture of wood and cork except manufacture of furniture	0.80	95.5	235.2	256.6	198.7	224.
	Tyres and tubes	1.48	114.2	173.5	225.0	258.3	295.
	Synthetic fibres	0.64	116.2	174.0	223.1	230.8	232.
	Dye stuff and dyes	0.61	102.7	141.8	198.4	195.6	187.
	Petroleum refinery products	1.34	106.0	158.7	280.8	297.3	316.
	Structural clay products	0.77	118.5	124.1	280.9	302.3	317.
	Fittings, fixtures and fasteners	0.85	107.3	197.2	98.8	104.8	111.
V.	**Consumer Goods Industries**	37.25	106.6	127.5	145.3	154.8	159.
	Consumer Non-durable Goods Industries	31.57	105.8	120.5	128.3	137.7	140.
	Flour milling and grinding	1.49	100.7	127.6	185.9	231.1	251.
	Sugar-factories and refineries (sugar refined)	3.58	110.0	124.7	149.1	165.3	141.
	Hydrogenated oil (vanaspati)	1.09	110.4	127.1	142.7	154.4	174.
	Tea	5.12	111.6	114.1	108.1	128.4	133.
	Cigarettes	2.15	106.7	146.1	161.4	168.0	177.
	Cotton weaving	9.39	100.3	100.0	91.5	92.7	89.
	Paper and paper products	1.61	105.8	147.2	201.4	216.5	225.
	Paper	1.36	104.1	143.5	200.2	217.7	229.
	Drugs and pharmaceuticals	2.20	114.7	133.7	156.7	156.7	157.
	Soaps and other washing and cleaning compounds	0.95	104.5	121.0	187.1	195.6	234.
	Matches	0.50	97.1	110.9	96.2	88.0	80.
	Glass and glass products	0.57	104.6	131.1	116.6	111.0	150.
	Consumer Durable Goods Industries	5.68	110.8	166.5	239.7	249.5	268.
	Commercial office and household machines	0.53	128.4	137.6	125.3	143.6	177.
	Electrical appliances	0.56	108.2	152.5	183.4	190.9	228.
	Communication equipment	0.61	121.6	217.4	646.8	661.1	726.
	Bicycles and tricycles	0.51	99.9	146.6	188.9	194.9	180.

Note : Weights of individual industries may not add to that of any of the groups as only selected industries are presented in the table.

(Contd.

Index Numbers of Industrial Production—(*contd.*) (Base : 1960=100)

Items	1971 Nov.	1972					
		June	July	Aug.	Sept.	Oct.	Nov.
General Index							
Unadjusted	189.7	196.8	196.8	198.7	198.6	197.1	198.0
Adjusted	191.5	200.3	195.2	198.9	200.4	204.6	199.6
Basic Industries	241.8	248.3	246.9	245.5	246.3	257.1	257.7
Mining and quarrying	161.6	160.3	155.6	155.3	159.4	161.4	166.9
Heavy inorganic chemicals	360.3	390.1	387.3	381.7	384.3	398.1	405.1
Cement	186.1	196.1	208.7	242.1	196.3	213.2	216.9
Basic metal	212.6	201.7	215.8	217.3	223.8	234.2	221.9
Iron and steel basic industries	190.2	176.4	195.9	195.6	204.2	213.9	203.6
Aluminium manufacturing	572.8	574.1	541.6	571.7	558.0	589.1	537.1
Electricity	371.0	391.3	385.2	390.7	387.0	391.2	..
Capital Goods Industries	226.2	235.4	234.7	233.5	236.3	225.9	251.8
Prime movers, boilers and steam generating plants	386.0	413.0	497.3	536.5	607.1	392.0	393.7
Industrial machinery	85.3	138.1	146.1	121.0	126.6	94.5	123.8
Machinery components and accessories	486.9	534.6	521.1	529.6	508.0	505.3	513.4
Electrical cables and insulated wires	274.8	311.2	300.6	266.6	307.3	269.9	340.1
Railroad equipment	70.2	84.3	89.7	81.4	73.9	61.5	79.1
Motor vehicles	171.7	150.9	165.2	166.3	128.8	167.2	182.3
Intermediate Goods Industries	166.3	170.6	174.5	176.0	177.2	170.5	166.6
Cotton spinning	124.0	128.4	132.9	136.4	134.6	128.1	120.7
Jute manufactures	101.1	90.8	93.8	92.8	96.4	84.3	94.5
Manufacture of wood and cork except manufacture of furniture	192.2	248.0	227.1	171.8	225.5	206.1	176.4
Tyres and tubes	340.3	324.7	349.8	329.7	337.1	279.5	286.8
Synthetic fibres	160.2	254.9	267.5	265.1	272.8	267.4	253.5
Dyestuff and dyes	188.7	203.8	183.2	232.1	210.3	186.7	205.9
Petrolem refinery products	307.8	300.3	298.2	322.4	319.3	317.0	309.9
Structural clay products	334.6	397.9	381.3	372.0	389.6	401.6	389.0
Fittings, fixtures and fasteners	115.5	117.2	129.2	138.8	120.3	102.4	120.5
Consumer Goods Industries	159.4	167.7	166.6	172.1	169.4	166.1	162.7
Consumer Non-durable Goods Industries	137.8	147.0	147.4	151.8	144.4	147.0	145.6
Flour milling and grinding	271.4	275.2	307.6	303.7	261.6	284.0	264.4
Sugar factores and refineries (sugar refined)	103.9	6.6	7.4	9.1	13.0	48.2	186.8
Hydrogenated oil (vanaspati)	197.2	169.2	181.0	178.3	187.6	184.9	163.3
Tea	130.3	223.1	220.0	248.6	253.9	332.6	157.2
Cigarettes	188.5	151.1	175.3	169.0	167.6	161.0	158.6
Cotton weaving	92.4	93.6	96.5	98.0	93.9	92.5	86.9
Paper and paper products	230.1	213.1	205.6	191.1	206.2	228.0	233.1
Paper	237.9	210.6	203.4	189.0	205.0	226.2	230.4
Drugs and pharmaceuticals	118.7	223.5	159.1	178.5	102.2	122.8	94.3
Soaps and other washing and cleaning compounds	258.8	277.9	309.8	268.3	271.8	294.2	286.0
Matches	80.0	86.7	86.3	78.7	62.7	52.5	58.3
Glass and glass products	152.6	155.0	153.1	156.0	151.1	146.0	128.6
Consumer Durable Goods Industries	279.7	272.7	273.1	285.2	308.6	272.5	257.7
Commercial office and household machines	177.1	187.7	205.8	188.1	160.8	156.9	148.0
Electrcal appliances	233.4	299.4	274.0	247.0	256.9	329.3	274.8
Communication equipment	876.4	699.8	684.2	663.8	874.9	667.7	679.2
Bycycles and tricycles	179.1	234.5	209.2	232.4	230.7	204.3	204.4

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972 Apr.	1972 Nov.	1972 Dec.	1973 Jan.	1973 Feb.	1973 Mar.
				(Base : 1949=100)									
All-India	169	191	213	212	215	226	233	237	255	255	255	259	263
				(Base : 1960=100)									
All-India	—	—	—	174	177	186	192	195	210	210	210	213	216
Ahmedabad	130	148	168	165	169	176	181	185	200	207	211	215	219
Alwaye	145	158	183	198	197	198	202	205	218	217	211	213	[illegible]
Asansol	140	141	168	176	178	189	194	198	209	206	205	202	212
Bangalore	144	159	172	180	183	186	194	198	219	221	223	222	229
Bhavnagar	152	152	173	176	178	186	194	199	219	228	232	233	244
Bombay	130	147	162	167	175	182	190	195	202	204	205	208	[illegible]
Calcutta	131	148	163	170	172	182	187	187	205	200	195	197	200
Coimbatore	132	144	151	147	154	163	177	180	192	193	193	194	197
Delhi	136	152	172	178	185	199	211	213	222	224	226	227	231
Digboi	138	160	198	185	180	189	188	189	199	201	198	202	207
Gwalior	139	160	191	179	184	191	197	201	214	217	220	222	230
Howrah	137	154	178	181	176	186	191	192	211	209	205	206	211
Hyderabad	140	158	167	173	185	189	195	198	216	215	215	220	224
Jamshedpur	136	158	183	171	170	183	187	190	207	200	200	206	209
Madras	134	144	151	150	160	170	182	189	207	211	211	211	212
Madurai	128	142	146	148	162	183	192	193	210	219	219	215	209
Monghyr	151	187	215	185	188	205	204	210	229	221	223	228	232
Mundakayam	138	152	173	186	191	197	199	201	213	214	210	209	211
Nagpur	138	148	164	166	176	187	192	195	205	205	204	206	207
Saharanpur	141	163	188	176	181	186	196	204	210	215	220	220	222
Sholapur	128	150	165	167	176	185	198	194	224	229	229	232	240

Source : Labour Bureau, Govt. of

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 19[illegible]

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972 Mar.	1972 Oct.	1972 Nov.	1972 Dec.	1973 Jan.	1973 Feb.
All-India	132	146	159	161	167	174	180	184	194	194	194	195	196
Bombay	132	142	153	156	162	168	172	174	186	184	184	184	[illegible]
Delhi-New Delhi	131	142	154	162	168	174	180	188	190	189	189	190	192
Calcutta	126	139	152	156	162	170	174	174	184	182	181	180	180
Madras	133	147	154	154	161	175	188	195	204	207	209	210	211
Hyderabad-Secunderabad	133	147	155	159	167	174	180	183	196	198	200	202	204
Bangalore	133	145	156	160	164	172	180	185	193	195	197	198	201
Lucknow	132	146	159	156	161	166	174	181	186	185	185	186	190
Ahmedabad	131	146	160	162	168	171	173	178	187	190	193	194	198
Jaipur	133	150	162	168	176	183	188	197	206	205	208	208	210
Patna	139	160	170	174	180	191	190	191	201	203	202	199	202
Srinagar	134	143	160	167	174	184	191	197	202	202	202	203	201
Trivendrum	131	146	165	168	172	178	184	189	198	201	203	205	205
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	187	200	201	198	196	196
Bhopal	133	144	166	166	172	180	188	194	206	208	208	208	208
Chandigarh	129	143	155	164	171	178	183	189	194	193	193	193	[illegible]
Shillong	123	134	155	163	164	166	175	174	185	186	184	183	[illegible]

Source : Central Statistical Org[illegible]

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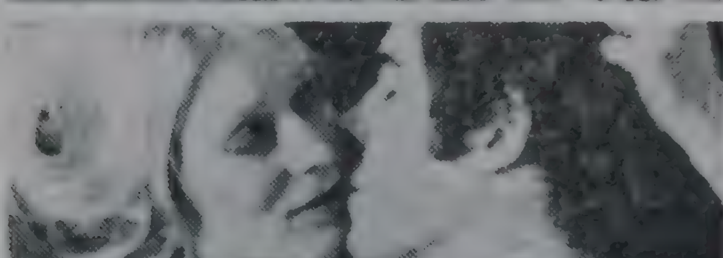

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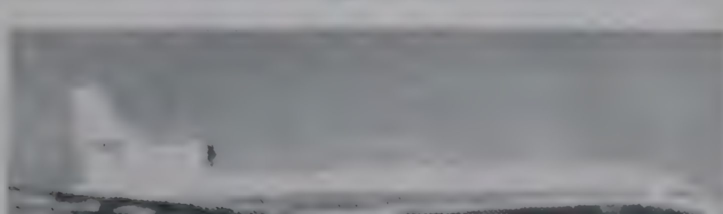

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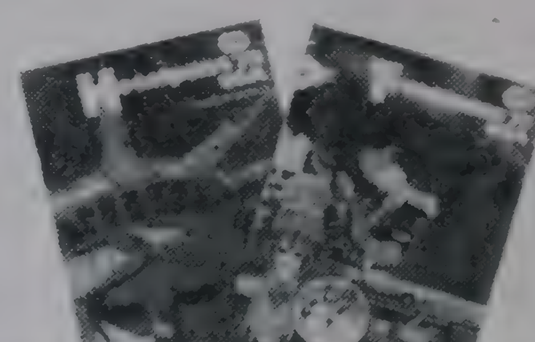

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UGUST 3, 1973
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This Darling Daughter

Sword of Damocles

The Confused Bankers

Asian Market: A Dream

make a pretty picture

This darling daughter

THERE IS little to be said to the credit of the prime minister in respect of her non-handling of the economic crisis facing the country except that she has not so far deemed it relevant to point out either that inflation is rampant in the United States too or that the region of western Africa has also had to cope with serious food difficulties because of drought. It is possible of course that Mrs Gandhi's government is so drained of initiative that it is not in a mood to defend or even explain away its inaction in the face of the current national demand that the people are entitled to be protected from the mounting pressures of rising prices and proliferating shortages of essential commodities. In any case, much more frightening than the economic difficulties, actual and prospective, of the people, is the terrible suspicion in the minds of the men and women of this country that the government is entirely without ideas about how the situation could be dealt with at all.

Indicative of the bankruptcy of governmental thinking or effort was the pointless catechism on the foodgrain take-over which Mr C. Subramaniam, acting presumably at the instance of the prime minister, recently inflicted on the opposition parties. Why the government should imagine that these parties, the very existence of which it has been ignoring ever since the general elections of 1971 and 1972, would feel bound to sit for a test like this as if they were school childern, is a question to which the answer is not by any means obvious. For months before they took their decision to nationalize the wholesale trade in wheat, the prime minister and her colleagues in the cabinet were repeatedly advised against adopting that policy. They were told that procurement would suffer and, consequently, so would the ability of the central or state governments to feed the drought-affected areas or provision the public distribution system.

This advice was not only brushed aside but those who tendered it were branded as reactionaries or friends and allies of hoarders and profiteers. Even when the fateful consequences of this ill-fated decision began to unfold themselves quite early during its attempted enforcement and food riots actually occurred in towns in Maharashtra or elsewhere, the government stuck blindly to its predetermined course of fragmenting and otherwise messing up the food economy of the nation. Not only has less grain been procured by official agencies than might otherwise have been the case, but the prices in the open market (which has indeed become the main source of supply for most of the urban public most of the time) have risen much more sharply than they would otherwise have done. The net result of all this is that the food difficulties, primarily resulting from drought in the last crop year, have been further aggravated very considerably and clearly avoidably by a pig-headed policy of governmental interference which has disrupted or dislocated the normal trade channels.

As a direct outcome of this bungling, the country now finds itself compelled to import more food than might otherwise have been necessary at prices higher than they need have been. The damage to the economy, however, has not been confined to the food part of it. Food shortage and rising food prices have been acting as an *agent provocateur* in a situation in which inflationary pressures are even otherwise bent on mischief. As a matter of fact, it is only the tremendous suffering caused to the public by the restricted availability or the rising prices of foodgrains which has helped to divert national attention from all the other distress which has been occasioned by all other things too becoming scarcer and dearer. There has in fact been a basic change in the economic outlook within the last few months. Not even the government feels disposed to claim that the substantial imports of foodgrains which it has been compelled to undertake, will succeed in stabilizing food prices in the months ahead. As a matter of fact, it has not even made a half-hearted attempt to counter the popular impression that the decision to import considerable quantities of foodgrains has been taken in panic and as a measure of last resort for preventing the food situation from getting out of control. By the same token, there is no longer any belief in the country that its present food difficulties or other economic difficulties are only a passing phase and that, provided the next harvests are normal, the general economic situation too would become normal again. On the contrary, although the monsoon rains so far have not been unsatisfactory, the people are far from feeling reassured that the worst is over. It is in fact the general impression that this country is beginning to lose ground in its development effort, that it is starting to lose its battle against poverty and is therefore becoming less capable of mobilizing or generating resources towards meeting the basic needs of its rising population. In these circumstances, the question paper on the foodgrain take-over which the government wants to set for the opposition parties is a supremely irrelevant digression. What only matters is a truth, which has been established over and over again, that the economy

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AUGUST 3, 1973

...not recover or recoup itself for a renewed effort of expansion unless government policies become positively oriented towards investment and production.

It is necessary for all of us to realize that over the last three or four years, in particular, not enough investment has been taking place especially in industry and that there is no way of the nation avoiding paying a price for this in the form of insufficient employment opportunities or shortage of essential commodities in the years immediately ahead. All that even a reformed government policy can hope to do at present is to try to keep this price down, but this at least is something which ought to be attempted without further loss of time. Whoever coined that stupid phrase about the government having to capture the commanding heights of the economy obviously did not foresee that the process would only ensure that there would soon be no heights, commanding or otherwise, to take over. The economy today has the appearance of a bull-dozed and barren terrain over which a surging population swarms endlessly in an agonized search for livelihood. No wonder even old men, presumably past visceral displays of emotions or sentiments find it impossible to contain themselves. President Giri the other day ordered the administrators of President's rule in Uttar Pradesh to put the hoarders and black-marketeers in chains. This is the first public admission in high places that the machinery of civilized public administration is breaking down under the intolerable pressures of the government's mismanagement of the economy. This "darling daughter" it appears, has been a sore disappointment.

Sword of Damocles

BOTH THE government and the industry are agreed that partial control in sugar has been beneficial to all the interested parties, namely, the cane-growers, the factories and the consumers. It has resulted in increased production of sugar and has yielded prices to cane-growers far above the minimum fixed by the government. The demand made by Mr Fakhruddin Ali Ahmed, the union Agriculture minister at the 40th annual general meeting of the Indian Sugar Mills Association (ISMA) held in the capital on July 21, that the sugar industry should bring down the free market price of sugar synchronized with slight easiness in the sugar market. Mr Ahmed had, however, expected a more significant fall in the price of free-sale sugar because the output of sugar in the current year had been much above expectations. It had been estimated earlier this year that the production of sugar during the current year would be no more than 3.3 million tonnes but actually it had turned out to be 3.9 million tonnes. The incentive provided by the government through a rebate in excise duty had resulted in enhanced capability of the industry to compete with gur and khandsari producers with the result that the usual diversion of sugar cane to gur and khandsari production was significantly reduced this year.

What is encouraging is that the sugar industry in this country has acquired the capacity to produce enough sugar to match demand in full provided, as stated by Mr M. L. Apte, President of ISMA, the right policies are pursued by the government. Mr Apte was of the view that the industry could not be blamed for fluctuations in the production of sugar from year to year, as it had more than attained the production target at the end of each Plan period. However, a number of factors governed the volume of output by sugar factories, the first and the foremost being the acreage under sugarcane. If the price for sugarcane was found remunerative, the farmer tended to put more area under this crop. Otherwise he had a tendency to go in for a more profitable other crop. Even after acreage under sugarcane was increased, its yield depended upon various other factors such as climatic conditions and control over pests and diseases. Again, increased availability of cane did not always mean enhanced output of sugar as gur and khandsari producers tended to attract more of cane because they enjoyed certain privileges. While gur was outside the net of excise duties, khandsari bore only a marginal burden. The market prices of gur and khandsari were not under control. Hence in a year of reduced sugarcane production, they tended to divert sugarcane from sugar mills, thus curtailing the output of sugar mills. That is why the variation in the production of gur and khandsari during the past decade had been less than one-third of the variation in the case of sugar production. It was only through partial control that the sugar industry had been able to compete with gur and khandsari producers and maintain production at a high level. Partial control assisted by excise incentives to the sugar industry had proved that it was possible to produce all the sugar that was needed in the country.

Lately, the attention of the industry has been diverted to the much-awaited report of the Sugar Enquiry Committee which, according to newspaper reports, has already been submitted to the government. No decision on its recommendations has been taken so far by the government nor has the public been taken into confidence about the findings of the committee. The most important question is the possible nationalisation of the industry. Like the Sword of Damocles it has been hanging over the head of the industry for long. What decision the government would take is hard to predict. Mr M. L. Apte, the ISMA President, however, has expressed the hope that the decision in this regard would not be influenced by ideology. He has put forward the view that the decision in this regard should be fair not only to different pressure groups but also to the millions of consumers of sugar. On behalf of the industry, he has assured the government that "we can deliver the goods more speedily, economically and efficiently as compared to any other sector".

Discussing the suggestion mooted in some quarters that the private industry should be handed over to co-operatives, he said that he saw no logic in that suggestion. "Ideology or sectorial royalty apart, on what basis is the co-operative sector considered more desirable", asked Mr Apte. Measured by any standard the co-operative sector had not so far established that it was in any way superior to private industry and, in his view, there was no justification for the co-operativisation of the industry.

Whether the government takes the decision to nationalise the industry or to hand it over to co-operatives or to let the private sector run it as hitherto, it is hard to forecast at this time. What needs to be emphasised is that the government's final decision in this regard should not lead to a drop in the production of sugar. The demand for sugar would continue to rise in the coming years reaching the level of six million tonnes at the end of the fifth five-year Plan period. This will mean an addition of 1.3 million tonnes capacity through 124 new units and involving an investment of Rs 450 crores. On the agricultural side, massive measures will have to be taken in order to encourage cane development. In short, great tasks await to be accomplished in the next fifth five-year Plan period which would not receive adequate attention either of the industry or the government unless a firm and final decision is taken in regard to the manner in which this industry is to be run. Any certainty in this regard is likely to hurt its future progress which, in turn, would be a distressing experience for the consumer.

In his address, Mr Apte refuted the

seless criticism regarding arrears in yment which had been levelled against e industry in recent months. The ocedure evolved by the industry in co- ›eration with the nationalised banks had ranged for cane payment in such a way at there would not by arrears in future. so, the linkage of purchase tax of cane despatches would result in prompt yment and elimination of all arrears. ıe charge that the industry had failed assist in cane development was un- unded, according to Mr Apte. He said at except for areas where opportunities d not exist, the industry had played its rightful role. He cited the example of Maharashtra where the industry had vir- tually paved the way for cane develop- ment. Similarly, in the southern states the direct contact between the factories and the growers had made it possible for the industry to effectively participate in cane development work. It was only in the north that due to the existence of intermediatory agencies and lack of direct contact between the industry and the growers that the cane development had suffered. And for this, rightly, the industry alone could not be blamed.

Banks : four years after nationalisation

HERE IS no proper appreciation of e benefit accruing to the economy and e exchequer as a result of the increas- g integration of the credit structure d the spectacular growth of the bank- g system in the past few years. No ecial virtue can be claimed for the olicy of nationalisation of major banks the heady growth in deposits of the ationalised banks would have in any ase taken place if the earlier policy of ocial control had been continued and he government had realised the impor- nce of dynamic branch banking as it id in the case of the State Bank of dia and its subsidiaries. It is even ow not fully realised that the hastening f the process of monetisation by itself as made considerably easy the problem f mobilisation of resources and the overnment has acquired the businesses f the 14 major banks on a cheap basis.

The investment in these businesses has een highly remunerative for the govern- ent from the beginning as the heavy evelopment expenditure incurred on he opening of a large number of new ranches in the rural and semi-urban reas has been incurred without any ifficulty and bank employees also are njoying privileges and emoluments which are now the envy of other classes f employees in the public and private ectors. Without understanding correct- y the significance of developments in he post-nationalisation period, there as been ill-informed criticism that un- uly generous compensation has been aid to the erstwhile banks, the working esults for 1972 have been extremely isappointing, and the government has ecured a poor return on its investment n compensation bonds. A correct pic- ture can be obtained only if it is recog- nised that the government is realising larger revenues by way of taxes on the salaries of bank employees and on the profits of the banks themselves. It is also saving a sizeable amount that would otherwise have to be spent on the programme of branch banking. Also, the return on investment in compensa- tion bonds would have been higher than 5.5 per cent if only some banks were not obliged to provide large amounts against earlier bad debts and had not also experienced difficulty in utilising their funds and increasing their earnings.

An analysis of the working results of 14 banks for the past three years shows that there has been a progressive increase in the gross income to Rs 384 crores in 1972 from Rs 326 crores in 1971 and Rs 261 crores in 1970. The growth in gross earnings would have been more pronounced in the past year but for the decline in the credit deposit ratio and the compulsion to invest a lar- ger proportion of available resources in government and approved securities. With faster additions to time liabilities, interest paid on deposits and borrowings has risen spectacularly to Rs 197 crores from Rs 163 crores and Rs 129 crores respectively in the two previous years. The salary bill also has jumped to Rs 128 crores from Rs 111 crores and Rs 93 crores in 1971 and 1970. With a big rise also in other expenses, aggregate pro- fits before payment of bonus to staff and after taxation was barely maintained at Rs 17.76 crores in 1972, the amount for 1971 being Rs 17.78 crores. The profit for 1970 was Rs 13.78 crores. With a larger provision for bonus to employees the disposable profits have shrunk and the additions to reserves were smaller at Rs 3.21 crores against Rs 3.94 crores in 1971 while the government's share of profit was also lower at Rs 4.18 crores against Rs 4.42 crores. The return on compensation bonds thus dropped to 4.79 per cent from 5.07 per cent. It is this drop that has given rise to the cri- ticism that the government's acquisition of the business of major banks has been unprofitable and the nationalised banks also have not been functioning properly.

There is of course considerable jus- tification for the complaint that the dep- loyment of funds at the disposal of banks is not being carried out properly and the quality of service has deteriorated in an appalling manner. There are also reports about corruption when lending to new classes of borrowers and a good portion of new advances to borrowers in the priority sectors has become sticky and may even be unrealisable. But, these bad points can be easily offset against

Eastern Economist 30 Years Ago

JULY 30, 1943

An important — also unusual — feature of the Assembly session which began on Monday last is the prominence which financial questions are re- ceiving. Sir Jeremy Raisman has been frequently on his legs either to answer interpellations or speak on adjournment motions. The Finance Member was fairly comprehensive in his answers but was in no mood to oblige the House in other ways. Mr Jamnadas Mehta sought unsuccessfully to raise a censure debate on the huge expansion of paper currency. Later, there was an attempt to initiate a debate on the proposals for an Inter- national Clearing Union and the United Nations Stablization Fund, but this also failed. If in view of the keen interest which non-official members showed in financial questions, the Finance Member had agreed to set apart a full day for their discussion, it would have been a welcome gesture, but no such assurance was forthcoming. Th Food Member and the Overseas Member sense the feeling of the House correctly and announce their readiness to allot official time for full deba on the Food question and the South African cris —so also the new Commander-in-Chief was read with his proposal for a secret session to have fr discussion on the war situation. Unfortunatel the Finance Member was not prepared to follo their example. One of the balloted resolutions f Tuesday last raised the subject of the Governmen currency policy and urged the Government concentrate their attention more on the stabili of prices than on the stability of the bank rate interest, but it could not come up for discussi owing to want of time. It is still uncertain wheth any other opportunity will be available during t session to discuss these important questions.

the spectacular progress recorded in other directions. If only there was a proper understanding of the lessons arising out of recent mistakes and political interference was avoided in the mangement of banks, the progress likely to take place in the coming years would be immensely helpful to the central and state governments in implementing the fifth Plan schemes.

Even in respect of the profitability of working, a closer examination of the results of individual banks will show that with the exception of Central Bank, Allahabad Bank, Indian Overseas Bank and Bank of Maharashtra, the return on compensation bonds was in excess of 5.5 per cent in all other cases. Canara Bank topped the list with the return of 7.5 per cent with Syndicate Bank coming next with 6.5 per cent, Bank of Baroda 6.4 per cent, United Commercial Bank 6.3 per cent Union Bank and Punjab National Bank 6 per cent, Bank of India 5.8 per cent and United Bank of India and Dena Bank 5.6 per cent. Indian Bank has made a spectacular recovery increasing its contribution to 5.5 per cent from 0.8 per cent in 1971. Central Bank of India could provide a return of only 1.9 per cent, Allahabad Bank 2.2 per cent and Indian Overseas Bank 0.5 per cent, Bank of Maharashtra did not make any contribution though this was attractive at 6.7 per cent in 1971. It should therefore be said that the return on compensation bonds relating to ten banks worked out to 6.08 per cent even in 1972 and the average was pulled down to 4.79 per cent only because of the bad experience of four banks. With the Central Bank of India having got over its special problems and with special attention to the working of Allahabad Bank, it may well happen that the experience of 1973 will be highly gratifying.

What is however more important is the availability of huge resources at the disposal of the banking system for productive purposes. It could not have been expected in 1969 when there was a terrible squeeze in the money market and it was feared there would be an unsatisfied demand for funds for quite a long time, that there would be a complete transformation in a short period and the major banks would actually have a problem of utilising resources. The big rise in deposits in the past three years has made it possible for banks to meet not only the needs of all classes of borrowers but also invest sizeable amounts in government and approved securities. In 1972 the increase in advances was less than the increase in investments even after maintaining higher cash balances. Aggregate deposits of 14 major banks stood at Rs. 5190 crores at the end of 2972 against Rs 4319 crores and Rs 3659 crores in the two previous years. Advances rose to Rs 3137 crores from Rs 2859 crores and Rs 2539 crores while investment jumped to Rs 1656 crores from Rs 1210 crores and Rs 988 crores in the period under reference. As it is expected that the growth in deposits will be even more impressive in the current year and there will also be better use for f the gross income should improve tantially in the whole year. The lend institutions will also have the advant of higher average lending rates as t minimum has been raised to 10 cent following the recent increase in th bank rate to seven per cent from per cent. No major adjustments h also been affected in deposit rates. W all the scheduled commercial banks likely to cross the Rs 10000-crores mark respect of deposits early next year the annual addition to deposits even Rs 2000 crores in 1974, the government and the Reserve Bank have a special duty to ensure that this powerful instrument in the organised money marke is helped to confer the maximum benefit to the economy protecting at the sam time the safety of deposits.

Better hope for Calcutta

WITH THE loan of $ 35 million recently sanctioned by the World Bank, Calcutta's development programme is expected to gather momentum in the coming months. The credit has been offered on liberal terms, being for 50 years with 10 years of grace before any repayment of the principal, and with no interest other than a 3/4 of one per cent service charge. The credit has come at a time when, after several years of political instability and economic stagnation, conditions in West Bengal have become more favourable than ever before to embark on a massive programme to improve Calcatta. The city has a vital role in the country's development and defence, especially of the eastern region, but till recently its problems had been sadly and systematically neglected not only by the government of India and by the government of West Bengal but, strangely enough, by its own people.

The Calcutta Metropolitan Development Authority (CMDA) started its work in 1970 but the progress in the early stages was very slow because of the lack of a popular ministry in the state and the dislocation caused by the Indo-Pakistan conflict over Bangladesh. But in th last fifteen months, the CMDA has bee able to make some progress in severa directions. It has not been able to mak a greater impact on the living condition of the people of Calcutta because of th acute shortage of cement, steel and othe essential materials and because of its inability to ensure effective co-ordinatio among the agencies that are implementin the various schemes.

Some idea of the huge task undertaken by the CMDA will be evident from th fact that its operation is spread over metropolitan area of 490 square miles. It has taken up 116 projects at about 400 work sites. The schemes relate to water supply, drainage, sewerage, traffic, transport, improvement of slums, garbage disposal, housing, education, public health and recreation. These projects are being implemented by 54 agencies, including 10 directorates of the state and nine statutory bodies.

The expenditure on the programme was Rs 10.52 crores in 1970-71, Rs 3 crores in 1971-72, and Rs 50 crores (estimated) in 1972-73. The CMDA's outl between 1973-74 and 1978-79 has been estimated at Rs 347 crores. This amo will be obtained from the government India through grants and loans, from t

ernment of West Bengal, from market rrowings, and from the octroi.

The CMDA has claimed that since its ogramme was launched for Calcutta's velopment, "the city has reverberated signs of change". It has observed that rom the core of Calcutta to far-flung rners of the Metropolitan District, for e first time a concentrated effort is being ade to strenghen the urban infrastruc-re and give this great metropolitan heart eastern India a transfusion of life and e assurance of a better future."

It is understandable that the CMDA's ow progress has caused some impatie-e and indignation among citizens. In any areas vast portions of the roads have en dug up for repairs but because of e failure to complete the work in time, uch inconvenience has been caused to e people. Moreover, there does not opear to be much material change yet in y of the major aspects of the city's life. ater supply continues to be almost as ficient as before. Streets remain flood-l for hours even after a short rainfall. arbage is not removed regularly but lowed to accumulate, posing a threat people's health. Conditions of traffic ad transport remain as chaotic as ever.

The criticism about the slow progress the CMDA seems justified. But attem-s are now being made to speed up work nd it is likely that in the coming months, uicker results may follow from the imple-entation of the various projects. For nstance, it has been decided to merge e CMDA, the Calcutta Metropolitan lanning Organization and the Calcutta etropolitan Water and Sanitation uthority into one organisation so that t will help to avoid overlapping of po-vers and functions. It remains to be een to what extent this arranegment will ctually result in better coordination of he activities of the various agencies which e implementing the different programmes. For instance, the Calcutta Corporation nd the municipalities in the Metropolitan District continue to suffer from serious veaknesses arising from the lack of dedi-ated and disciplined staff; and, as a result, he funds allotted to them to carry out the levelopment projects are not always well spent. It was recently revealed that many of the new trucks purchased by the Calcutta Corporation with the money received from the CMDA quickly went out of order.

The business community of Calcutta occupies an important position in the city's life but till now no serious attempt has been made to enlist its active cooperation in implementing the CMDA's programme. With its talents, resources, experience and expertise, the business community can substantially contribute to Calcutta's improvement especially in such fields as education, health, recreation and in building up the infrastructure in various ways. It was only on July 18 this year that, for the first time, Mr Bola Nath Sen, the chairman of the CMDA, called the representatives of the chambers of commerce for what he described as "a constructive dialogue". They were asked to suggest concrete measures on the different aspects of the CMDA's programme and to indicate the priorities in the programme to be taken up. Mr Sen urged them to take advantage of the facilities that were being offered through the CMDA projects to promote industry and trade and thus to create more employment. They were also asked to state their views on how the existing units located in the congested ... elsewhere and how the areas that were being developed could be made suitable for setting up new units. Mr Sen has fixed another meeting with the industrialists on August 20. It is necessary to have constant dialogues between the CMDA and industry so that the projects can be implemented more speedily and effectively.

Meanwhile, the government of West Bengal and the other authorities concerned should take appropriate measures to make Calcutta habitable and beautiful by giving proper attention to such matters as the elimination of hawkers and shop-keepers from the pavements, removal of stray cattle from the streets, prompt disposal of garbage, and the efficient administration of the day-to-day civic services. It was the indifference of the citizens more than anything else, that had contributed so largely to the prolonged and persistent neglect of Calcutta. So, even with the generous assistance from the World Bank and from the government of India and the expenditure of huge sums of money, good life may continue to elude the people of Calcutta unless they become acutely conscious of their responsibilities as citizens and make continuous and determined efforts to keep their city clean and beautiful.

R & D: what real benefits?

S. Venu

IN MANY countries Research and Development (R&D) now constitute major areas of activities and expenses for government and business, more so in the industrialized countries. The table below depicts R&D expenditure as a percentage of gross national product on a comparative basis:

R & D Expenditure as a Percentage of Gross National Product—1971

Country	Percentage of GNP
USA	3.3
UK	3.2
West Germany	1.8
France	1.6
Japan	1.4
India	.28
Iran	.19
Brazil	.32

The cult of greater and greater R&D expenditure as a harbinger of technological revolution has spread to many developing countries; the result has been the production of a Science and Technology Plan in India which is to be dovetailed into the fifth five-year Plan. India's S&T plan is another example of "Wagner's Law" of increasing state activity as per capita income rises. It envisages R&D expenditure rising from .24 to .52 per cent of the GNP by 1978 and touching one per cent by 1984. Since GNP is expected to be very much higher by the 'Orwellian' year, the monetary dimensions are self-evident.

no explanation

Why so much R&D expenditure? There appears to be no coherent explanation. We know very little about the tangible return from expenditure on R&D barring the direct returns to private firms from efforts to innovate or improve upon their own product as reflected in their balance sheets. The 'externalities' of private research are not quantifiable. There is little case-study material on a cost-benefit framework and reviewers seem to agree that the progress in practical application has been slow. This article spot-lights the problems of analysis, excluding defence-oriented research the objectives of which are not readily definable in economy terms.

Independent of its merits, R & D expenditure in all countries is likely to increase over time owing to two reasons. First, the power of the belief in science, the faith that more resources devoted to research will improve national welfare. Second, the sheer strength of the scientific establishment. There are more scientists today than in any previous era of history. Much of the increasing expenditure emanates from the needs of this elite who sincerely believe that what they do is good and necessary and still more of it would be even better. The need for more R & D is more a value than a fact. Its validity is not within the usually accepted sphere of economists.

government finance

There are various sectors where government finances private research either through grants or through the aegis of its own laboratories. Nuclear research, research on welfare measures such as housing, transport, crop productivity, research on pollution and oceanography are salient examples. Here, the first direct links between R & D and benefits can be established. But the indirect or "spread" effects are more difficult to pinpoint and such links are necessary for any fruitful cost-benefit analysis.

Uncertainty of knowledge, timing and cost constitutes a formidable barrier. Brilliant research groups have not yet ascertained whether fresh water can be made from sea water at a cost of, say, one rupee per kilolitre or whether nylons can be rendered non-inflammable at less than five paise per kilogram. The costs of testing involving wind tunnels, engine test beds or furnaces form a large part of R & D costs which are uncertain and where the exact benefits are hazy. The market for a desalination process will be sensitive to the price of the product water; by itself, therefore, the benefit cannot be calculated in any simple proportional fashion.

complicating factor

Lack of exploitation of an invention or 'break-through' is another complicating factor. Policies for the transfer of technology have been outlined in great detail by many national and international bodies; policies for adequate "diffusion" of technology have also been studied in depth. Yet, there is no panacea or magic formula for all the failures in such transfer.

In many cases, the benefits of R&D programmes are conditional on other investments. The end product is knowledge and consumer satisfaction. Computer research can produce a new software code. Research on housing may reduce investment. But often the R&D costs represent only a fraction of the total costs needed for exploitation and US sources quote a 20:80 ratio of R&D to total capital expenditure although this should be treated with caution since there is much variation between industries. Reduction of damage by fire is conditional on the development of better extinguishers and less flammable materials. A new method of extracting metals from low grade ore will change views on how much to expend on instruments to analyze the ocean-bed.

Private sector benefits such as increased profits, more market penetration, lower input costs are obvious. But the social cost-benefit analyst needs to study the relative surplus of the consu-

ner or classes of consumers and producers before arriving at any value judgement. The extent of differential pricing, the cost of providing substitutes, the saving in national resources will all have to be dissected, a time-consuming but essential process.

In the less tangible areas, R & D leads to various benefits:

- Reduced loss of life
- Improved health
- More leisure
- Quality Improvements
- Cleanliness
- Anti-pollutory research
- Fire and medical research
- Faster transport
- Processing and housing
- Waste disposal processes.

Some have direct economic effects on the cost of hospital treatment and loss of working hours. However, exact quantification is not feasible in the present state of knowledge.

Where the fruits of research accrue to private parties from government agencies, the question arises as to whether the former should pay an adequate amount for the public laboratory to make a return on investment and if so, how much. The R&D cess mooted in India is based on such thinking.

If the investment is regarded as being in aid of a specific sector, measures of return relate to improved productivity and foreign exchange balance. These benefits are assumed on a "sub-optimal" premise and we would need to relate the performance of the sector to other sectors to know if the net effect is beneficial.

The appropriate level of R&D expenditure has to be determined by imperfect human beings and their imperfect organizations, and not by the application of any magic cost-benefit ratio. In science policy, as elsewhere, choices involve many dimensions and trade-offs. One of the most important is the degree of decentralization. Too much stress on coordination, planning and efficiency are inimical to the essence of R&D. Rather than increased control from the top, the present system could be improved by better initiative from below. The dilemma of the public finances is how to reconcile these conflicting pressures.

Banking in the post-nationalisation era

Dr. B. Ramachandra Rao

After the nationalisation of the 14 major scheduled commercial banks in India effective July 19, 1969, and with the change in the very banking concept itself after the imposition of the social control measures, banking in India has been growing in depth and dimensions and on an unprecedented scale. If one were to look back to the pre-nationalisation era and compare the then banking development with what has been achieved now during these four years, the banks richly deserve a pat on their backs for the achievements made in such areas as branch expansion, deposit growth and extension of credit under liberal schemes. The role played by the Lead Banks under the Lead Bank Scheme in bringing about rapid economic development in the 336 districts entrusted to them has been also highly commendable. More than 300 out of the 336 districts have been surveyed and bank offices are being opened in identified centres.

It has been considered now that banking is a most powerful instrument in the country. Banks can finance now any type of economic activity and risk element has been minimised by introducing credit guarantee schemes for small loans and for loans to small-scale industries. The traditional banking concept of mere money lending has changed and now banking concept has acquired a new dimension. Class banking is slowly fading out, and instead mass banking is spreading fast into the far flung corners of the country. Security-oriented approach is losing its importance and advances are mainly considered on the basis of viability and purpose of the proposal. Advances are not made just because there is security and the party is creditworthy, but there should be a need for the credit applied for. Credit is also now extended to the neglected and weaker sections of the economy who were not eligible for entry into the banks in the past.

Now preference is also given to job-oriented proposals to help solve the unemployment problem in the country to a certain extent. The Thakkar Committee constituted in 1970 had suggested that even on an average if each bank branch can entertain about 50 proposals for assistance from the unemployed in a year, about three million jobs can be created by all the commercial banks in the next five years, exclusive of the jobs arising out of indirect employment.

The change in the banking concept has changed the role of bankers also. The bankers are now required to act as development bankers and not merely as money lenders. They must act like the family bankers as in UK or like the welfare bankers as in USSR. Their primary concern now is to bring about economic uplift in the country right from the grass-root levels. This is possible only by reaching the mases and helping each and every common man in the country by spreading the banking habit. Savings habit must be inculcated in every individual and the savings even in driblets should be collected by the banks by daily deposit schemes. Likewise no viable or worthwhile project should suffer for want of finance. In considering every proposal the bankers were expected to bear in mind the social objectives and the national policies.

After nationalisation, banks have fully

realised the social responsibility thrust on them. In the last four years, they have shown a very impressive performance which, definitely, would not have been there, but for the social control measures and the nationalisation of the 14 major banks.

Let us take the case of branch expansion. In the past, banks were reluctant to open new branches for fear of facing losses in the early years. The only motive in opening branches was to earn profit and not to sell the banking services as a measure of social objective. Even in opening branches, preference was being given only to the city areas and not to the rural front. Hence, the banking development tended to be lop-sided right from the beginning and the rural economy did not get modern banking facilities to contribute to the national economy in a big way.

phenomenal expansion

After nationalisation, branch expansion has taken place with a phenomenal growth in the number of bank office which perhaps has no parallel in the history of any other developing countries of the world. Mostly the expansion has taken place on the rural side to have a balanced growth of bank offices to iron out regional economic disparities. Table I shows the position of branches as at the end of June, 1969 and as on December, 1972 in respect of State Bank Group, 14 nationalised banks and other Indian scheduled banks. The break-up also is given splitting the branches into four geographical areas.

The table very clearly depicts that the branch expansion has taken place in a big way in the countryside and in the semi-urban areas. As on December, 1972, all the banks put together have a total of 14,739 branch offices. The banks had 8,262 offices as at the end of June, 1969. Of these offices 1,832 (22.1 per cent) were in rural area, 3,322 (40.2 per cent) were in semi-urban areas, 1,447 (17.6) were in urban areas and 1,661 (20.1 per cent) were in metropolitan towns. Out of the 14,739 branches as on December, 1972, 5,325 (36.1 per cent) are rural branches, 4,587 (31.1 per cent) are semi-urban branches, 2,461 (16.7 per cent) are urban branches and 2,366 (16.1 per cent) are branches situated in metropolitan areas. Totally between June, 1969 and December, 1972, branches rose in number by 6,477, registering a rise of 53.9 per cent in rural branches, 19.5 per cent in semi-urban branches; 15.7 per cent in urban branches and 10.9 per cent in branches opened in the metropolitan areas. As on June, 1969, only 1,832 branches were serving the rural centres with a population up to 10,000 in each place. Now 5,325 branches are serving the rural areas within a short span of four years since 1969. As [illegible] June, 1969 population per office [illegible] was 65,000 and this figure has gone d[illegible] now to 37,000. The Lead Bank Sch[illegible] also has contributed in a large [illegible] for the success of the branch expan[illegible] programme in the lead districts. S[illegible] 2,050 new offices were opened by the Le[illegible]

TABLE I

Branch Expansion after Nationalisation

	Branches as at the end of June, 1969	No of offices as on December 1972	Increase in offices between these two dates
State Bank of India Group			
Rural	819 (33.3)	1729 (40.5)	910 (50.5)
Semi-urban	1170 (47.5)	1593 (37.4)	423 (23.5)
Urban	248 (10.1)	531 (12.5)	283 (15.7)
Metropolitan/port towns	225 (9.1)	441 (9.6)	186 10.3)
	2462	4264	1802
14 Nationalised Banks			
Rural	686 (16.6)	2739 (35.1)	2053 (56.0)
Semi-urban	1452 (35.1)	2089 (26.8)	637 (17.4)
Urban	928 (22.5)	1480 (19.0)	552 (15.0)
Metropolitan/port towns	1068 (25.8)	1494 (19.1)	426 (11.6)
	4134	7802	3668
Other Indian Scheduled Commercial Banks.			
Rural	265 (20.1)	809 (33.2)	544 (48.8)
Semi-urban	595 (45.1)	857 (35.3)	262 (23.5)
Urban	251 (17.5)	436 (17.9)	205 (18.4)
Metropolitan/port towns	228 17.3	332 (13.6)	104 (9.3)
	1319	2434	1115

NB: Figures in brackets indicate percentages to total.

Source: RBI Bul[illegible]

Banks in their lead districts during the period January 1970 to December, 1972.

The group-wise distribution of bank offices may be noted as given in Table II.

TABLE II

Distribution of Bank Offices — Groupwise

	Branches as on December, 1972	Increase since the date of nationalisation
I State Bank Group	4264	1799
II Nationalised Banks	7802	3634
III Other Indian Scheduled Banks	2434	1094
IV Foreign Banks	130	—
V Non-scheduled Banks	109	109
Total	14,739	6,418

It may be also interesting to note the spread of banks in the various states in the country in the post-nationalisation era. The figures are given in Table III.

From Table III it can be seen that the ten relatively underdeveloped states of Assam, Bihar, Madhya Pradesh, Manipur, Meghalaya, Nagaland, Orissa, Tripura, Uttar Pradesh and West Bengal have had a large share in branch expansion in the post-nationalisation period. During the three and a half years ended December, 1972, the public sector banks opened 3,317 branch offices and the private sector banks opened 570 offices in the unbanked centres. This has gone a long way in spreading the banking habit in the country and in mopping up the savings from the unbanked and under-banked areas. In spite of various constraints, the commercial banks have been able to more than fulfil the task set for them for 1972 under the three-year perspective plan for branch expansion drawn up by the Reserve Bank in 1971.

Now coming to deposit growth, the bank deposits were Rs 1,052 crores in 1947. As on June 1969, the deposits were at Rs 4,646 crores. Now as on December 1972, the figure has shot up to Rs 8,146 crores. This vast expansion in deposits has been mainly due to large branch expansion, though there are other factors also such as deficit financing and rising industrial and agricultural incomes, which have contributed to the deposit growth. Now deposits of commercial banks per office is Rs 56 lacs and per capita deposit is Rs 143. Deposits as percentage of National Income have gone up from 15.3 per cent in June, 1969 to 19.9 per cent in December, 1972. But there is nothing to feel complacent about this when 80 per cent in Japan, 60 per cent in Australia, 52 per cent in Germany, 49 per cent in the USA, 43 per cent in Canada and 35 per cent in the UK of the national Income go to the banking fold as deposits. Even looking to the population of about 54 crores, the figure of bank deposits reflects a further leeway to be made up in the task of deposit mobilisation. Banks are making a deeper study of preferences of various customer groups and new schemes and new types of facilities, tailored to meet their special requirements have been evolved by every bank to mobilise deposits in a big way.

TABLE III

Branch Expansion after Nationalisation (State-wise)

Name of state	Number of bank offices June 30, 1969	Number of bank offices December 31, 1972
Andhra Pradesh	567	1047
Assam	74	158
Bihar	273	575
Gujarat	752	1296
Haryana	172	321
Himachal Pradesh	42	122
Jammu & Kashmir	35	128
Kerala	601	1030
Madhya Pradesh	343	725
Maharashtra	1118	1799
Manipur	2	7
Meghalaya	7	17
Mysore	756	1423
Nagaland	2	6
Orissa	100	217
Punjab	346	720
Rajasthan	364	635
Tamil Nadu	1060	1583
Tripura	5	14
Uttar Pradesh	747	1451
West Bengal	504	831
Andaman & Nicobar Islands	1	4
Arunachal Pradesh	—	5
Chandigarh	20	37
Dadra & Nagar Haveli	—	4
Delhi	274	430
Goa, Daman & Diu	25	124
Laccadive, Minicoy & Amindivi Islands	—	4
Mizoram	—	1
Pondicherry	12	25
	8,262	14,739

Nationalisation has brought about significant changes in the pattern and flow of bank credit also in accordance with the goals and objectives of nationalisation. Commercial bank credit was barely Rs. 485 crores in 1947. It was at Rs. 3,599 crores as on June, 1969. It shot up to Rs 5,398 as on December, 1972. Credit of commercial banks per office is now at Rs. 37 lakhs and per capita credit is Rs. 95.

The public sector banks have made sizeable strides in making advances to the priority sectors. The following figures as on June, 1969 and as on the last Friday of September, 1972 bear testimony for the impressive performance of these banks in financing the priority sectors of the economy.

TABLE IV

Advances to the Priority Sectors by Nationalised Banks

(Rs in lakhs)

Priority sectors	Outstanding balance as on the last Friday of June, 1969	Outstanding balance as on the last Friday of September, 1972
1. Agriculture	16,233	40,409
2. Small Scale Industries	25,107	52,668
3. Road & Water Transport Operators	549	5,017
4. Retail Trade & Small Business	1,937	8,227
5. Professionals & Self-employed	191	1,333
6. Education	80	304
Total	44,097	1,07,958

The percentage of priority sector advances was just 14.9 per cent in June, 1969

[illegible] it has gone up to [illegible] per [illegible] June, 1972.

By introducing the Differential Interest Rate Scheme to the weakest of the weaker sections, the public sector banks have blazed a new trail in their lending operations in tune with the social objectives of serving the poor to make them self-supporting or self-employed. Under the scheme interest is charged at four per cent. The borrowers should satisfy the following conditions:

(1) They should have really no tangible security of any worth to offer on their own.

(2) They cannot produce a guarantee or security.

(3) They must be prepared to work hard.

(4) It should be possible to help them to rise above their present economic levels in a productive endeavour which is economically viable.

(5) They should not borrow from two sources.

This scheme is now extended to cover all the districts in the country. As on March 31, 1973, about Rs 2 crores have been lent under this scheme by the public sector banks. Now the scheme also covers institutions for physically handicapped persons, orphanages and women's homes.

economic miracle

The post-nationalisation era has proved what the banks can achieve to bring about rapid economic miracle in the country by improving the national economy in a big way. Both for the quantitative as well as the qualitative development of banking, the personnel of the banks, as king-pin of the banking mechanism, are largely responsible and their continued development-oriented outlook and helpful attitude alone can meet the new challenges in the banking field to fulfil the socio-economic objectives of the country in lending, in collecting the savings and in rendering a package of banking services as a friend, philosopher and guide. It is hoped that at the time of the fifth anniversary of bank nationalisation, next year, banks in India would certainly scale new heights in their achievements and justify their existence as living instruments of socio-economic change.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

EVEN THOUGH the opposition parties in the Lok Sabha held back their move to ensure the government till the terminal days of the current five-week monsoon session of Parliament, the heavy showers that greeted the opening of the session on Monday apparently did not cool down their temper. The government was assailed in both the Houses for the sharp rise in prices over the past one year and the present difficult food situation. The recognition of the fact by the prime minister, Mrs Indira Gandhi, on the eve of the session, that "although with good monsoons and other developments, the situation (on economic front) was improving, we could not expect difficulties to be over forthwith and the immediate future may continue to be difficult", also did not have any sobering effect on critics.

price spiral

All the opposition parties, including the CPI, took the government to task for not being able to contain the prices spiral, particularly the prices of foodgrains. Their diagnosis of the malady, however, differed according to their economic philosophies. For instance, while the leftist members accused the government of following a half-hearted policy on the take-over of wholesale trade in wheat and rice—a CPI (M) member even suggested that the prime minister was a product of monopolists—the rightist sections were of the view that the government was not firm about its intentions. The latter stressed the need for raising the procurement prices of wheat to attract arrivals in the market, instead of importing foodgrains at high prices. The members with leftist leanings continued to harp on their pet thesis that most of the present difficulties on the economic front had been the outcome of the activities of monopolists and the doings of hoarders and vested interests. Some Congress members accused the opposition of trying to exploit the critical economic situation for political ends, instead of lending a helping hand to the government in overcoming the crisis. Some opposition members alleged that there had been several starvation deaths in the country. They also complained that adequate supplies of foodgrains were not being made available to the public distribution system. There was, however, near-unanimity among critics that unbridled deficit financing was playing havoc with the economy.

The minister for Finance, Mr Y. B. Chavan, shared the concern of members over rising prices, but preferred to style the present difficult situation as a "passing phase". He did not agree that the situation had attained explosive proportions, as alleged by opposition members. Basically, he found the economy "as healthy as ever" and expressed the view that the situation on the prices front would ease as a result of increase in production of foodgrains, jute and cotton, following good monsoons. A similar hope was expressed by the minister for Agriculture, Mr Fakhruddin Ali Ahmed, who gave detailed facts and figures to show that government releases of foodgrains to fair price shops during the past eight or nine months had been substantially more than those during the corresponding period in the previous year. Mr Ahmed denied that there had been any starvation death in the country. Both he and Mr Chavan sought the co-operation of opposition members for meeting the crisis in the economy.

deficit financing

In a bid to explain away the increase in deficit financing last year and the continued resort to it on a significant scale during the first quarter of the current financial year, Mr Chavan pointed out thae the situation created by unprecedented drought conditions last year, which had closely followed the Bangladesh refugees problem, could not be met without the means adopted by the government. The total deficit financing resorted to last year, on both central and state accounts, he revealed, was of the order Rs 848 crores, as against the estimated budgetary gap of about Rs 250 crores. Deficit financing at the centre had aggregated to Rs 862 crores. This had been offset partly by a surplus of Rs 14 crores in the states. During the first three months of the current financial year, deficit financing of the order of Rs 380 crores had been resorted to as against Rs 75 crores envisaged at the time of presenting the budget on February 2[...] This had been necessitated by seve[...] post-budget developments including pa[...]ment of interim relief to central gover[...]ment employees, increase in defen[...] expenditure, earmarking of sizeable fun[...] for food imports and subsidising of gra[...] supplies through public distributi[...] channels.

The Finance minister, however, stress[...] that this did not mean that deficit financi[...] was being indulged in recklessly. In t[...] beginning of a year, this method had [...] be adopted, as taxation receipts we[...] slow to come in. This year, the pressu[...] on the government, he stressed, had be[...] unusual. Larger market borrowings, sm[...] savings and increased collections of tax[...] he, hoped, would bring down defi[...] financing to reasonable levels over t[...] year. The minister for Agriculture assur[...] the House that all efforts were bei[...] made to augment food supplies. So[...] imports of foodgrains had already be[...] arranged and efforts were being made [...] arrange additional imports. He, howev[...] urged members not to press him f[...] further details in national interest. (La[...] on, it was revealed by official circ[...] that imports of wheat this year may ha[...] to be stepped up to 4.5 million tonne[...] In view of the difficulty of procuri[...] rice till the new crop came in, the r[...]ration, Mr Ahmed indicated, might ha[...] to be cut in various parts of the countr[...]

drought conditions

The minister of State for Agricultu[...] Mr A.P. Shinde, gave to the two Hou[...] some details of the drought conditions [...] the country. The situation, he felt, [...] eased considerably in the recent past du[...] rains, though delayed, in the droug[...] affected areas. He hoped that as a res[...] of the recent showers and the efforts wh[...] were being made to increase food p[...]duction through making available [...] agriculturists all facilities and farm [...]puts, kharif output would go up subst[...]tially.

That the opposition members, h[...]ever were not satisfied with the gove[...]ment's analysis of the present difficu[...] on the food and prices fronts was evi[...]

...n the facts that the two issues repeatedly came up in one form or the other in both the Houses. They are likely to dominate the entire session. The climax may be reached when the threatened censure motion comes up for discussion towards the close of the session.

The two Houses passed the current year's budgetary demands of the states of Andhra Pradesh and Manipur which are presently being administered by the centre. During the debate of the Andhra Pradesh budget, the need for expeditiously finding out a compromise solution to the demand for bifurcation of the state was stressed by many members. The minister of state for Home Affairs, Mr. K.C. Pant, revealed in the Lok Sabha that a consensus for the solution of the Andhra tangle appeared to be emerging slowly, but it was difficult to say by which time the final solution would be found out.

President Rule in UP

The imposition of President's rule in Uttar Pradesh was approved by the Rajya Sabha. The opposition members, however, questioned the wisdom of imposing this rule on UP. They argued that the Congress Party in the state legislature enjoyed absolute majority. The state, therefore, thougt not have been brought under the rule of the centre.

The following important information was provided in the two Houses by various ministers:

(1) In view of the restoration of power supply and increased production of yarn, the government is relaxing control over the distribution of yarn. Price and production controls on this commodity, however, are proposed to be retained. With the relaxation of distribution control on yarn of counts up to 35 and certain special categories and varieties and with further improvement being effected in the system of allotment of controlled varieties, the lifting of yarn by state governments is expected to improve. This will considerably reduce the accumulation of yarn with mills.

(2) The Jute Corporation of India will purchase 10 to 12 lakh bales of raw jute this year as a part of its commercial operations. If need be, the corporation's purchases might go up to 15 lakh bales. The demand for an increase in the procurement price of jute is not acceptable to the government.

(3) A production of five million tonnes of crude oil per annum is envisaged by the Oil and Natural Gas Commission from its concessions in Iraq. A draft contract in this connection has already been initialled.

(4) The government will shortly set up a committee of experts to determine the manner of pricing petroleum products. The committee will be asked to submit its report in 12 to 18 months from the date it is formally constituted.

(5) The tube railway project in Calcutta is expected to be completed by 1979. The final report on the metropolitan railway in Madras is being prepared. The decision on it will be taken soon after the report is received. The Railways Metropolitan Organisation of Bombay has evolved the scheme of Fort market lines (sixth corridor) and underground system (seventh corridor) for meeting the long range traffic needs of the city. The techno-economic feasibility report of the sixth corridor has been considered by the Railway Board. The studies on the seventh corridor would be conducted after availing of further consultancy from the British government this year.

(6) There is no change in the government decision to take over the wholesale trade in paddy and rice from the next Kharif marketing season. The operational details are proposed to be finalised in consultation with state governments.

(7) The wheat procurement bonus scheme has been extended upto August 31, 1973. The total procurement of wheat upto July 23 had been a little over 43,15,000 tonnes, as against the target of 81,80,000 tonnes.

(8) The landed cost of the imported wheat received between January and April worked out to an average of Rs. 100.95 a quintal. The subsidy for distribution of wheat is: imported wheat Rs. 37.28 a quintal; indigeueous wheat Rs 24.05 a quintal. Neither the World Bank nor the Aid India Consortium is considering grant of loans to facilitate food imports.

(9) Nine parties were issued letters of intent in April to set up new undertakings to manufacture caustic soda. Two will set up plants in Gujarat and one each in Kerala, Rajasthan, Mysore, Uttar Pradesh, Tamil Nadu, West Bengal and Maharashtra. The licensing committee has also approved in principle the expansion of the capacities of nine existing plants. The government, however, is awaiting clearance from the Monopolies Commission for issuing letters of intent for these expansion programmes.

(10) It is proposed to nationalise 103 textile undertakings the management of which has been taken over by the government under the provisions of the Industries (Development and Regulation) Act, 1951, and the Sick Textile Undertakings (Take-over of Management) Act, 1972.

(11) The government is considering a proposal to set up a combined secretariat for receiving and processing simultaneously applications for industrial licences, import of capital goods, foreign collaboration and clearance under the MRTP Act. The unified secretariat is expected to not only keep a watch on the progress of industrial licence applications through various stages but also to monitor information regarding the progress made by licence-holders until their units go into production.

(12) The government has not yet decided on the recommendation of the Tariff Commission for an interim increase of Rs 10 per tonne in cement prices. The impact of the increase, if and when accepted, on house building activities is not expected to be significant.

(13) It has been decided to set up a heavy water plant at Talcher, in Orissa, in conjunction with the fertiliser plant being put up there by the Fertiliser Corporation of India. The capacity of this heavy water unit will be 62.7 tonnes per annum. The plant, likely to be commissioned by 1976, is expected to cost Rs 21.10 crores.

(14) The completion of the Madras atomic power station is likely to be delayed in view of Canada's unwillingness to export to India or to any other country nuclear components and materials for use in reactors which are not under safeguards acceptable to it.

(15) The nationalisation of the entire drug industry is not feasible at the present juncture.

(16) The Haldia port project is likely to be completed by the middle of next year.

WINDOW ON THE WORLD

European companies

Jossleyn Hennessy
London

I

The Company Law Debate

'HAT THE British Institute of Char-
red Accountants calls "outstanding
rogress" has been made towards the
armonisation of Community company
w. The area of glee is the Commis-
on's fourth draft directive on company
w, which concerns company accounts.
he EEC Accountants Study Group,
ringing together the professional ac-
ounting bodies throughout the Nine,
as agreed on the broad principles to
overn standards of company reporting.

The fourth directive sets out the re-
uirements of the balance sheet and the
rofit and loss account which would be
pplied on a compulsory basis in all
EC countries. In fact, the accountants
vould like to see this draft modified in
earer to British accounting practice.
Vhile the Commission approach has
een statistical, demanding of company
ccounts "as accurate a view as possi-
le", the professionals have favoured
n approach that is "true and fair".
Additionally, the study group wants
hanging money values considered so
hat historic cost accounts would be sup-
lemented by inflation-adjusted figures.
Here the study is going further than the
Commission which had confined itself
o replacement cost accounting.

A difference in the group arose over
he question of writing off research and
evelopment costs and goodwill. The
raft directive had suggested they should
e written off over an arbitrary period
f five years. The accountants thought
esearch and development should be
vritten off over their economic life. The
problem is goodwill. All the accountants,
save the Irish and the British, were pre-
pared to accept the five year period.
The dissentients considered that good-
will should be written off only when
there has been a permanent diminution
of value.

From the beginning of 1976, a stan-
dard of tax on capital formation will be
applied throughout the EEC. At pre-
sent each member state applies the rate
of tax it wants, subject only to prescribed
upper and lower limits. The new figure
will be one per cent, but will be reduc-
ed for certain mergers to half that
amount. However, this reduced rate may
be even lower, or totally eliminated by
the member states to facilitate company
regrouping. The whole object of the
Council move is to develop a Commu-
nity capital market, while taking into
account the different budgetary needs
of each state.

At the end of 1972, the Community
of the Six reached agreement on the
measures necessary for the free estab-
lishment of banks. The requirements of
the new members, so that they might
adapt to the new provisions, have been
under study. Britain, for example, is an-
xious that legislation regarding unit
trusts be maintained. Any bank that
performs a trustee function for unit
trusts must be a company under British
law. In Ireland it is the same, but Dub-
lin also wants a five-year grace period
in which to apply the EEC directive,
because of a need to reorganise the
structure of banking. Denmark, too, is
anxious for extra time to adapt. On all
these points a moderately swift decision
from the Council is expected.

Meanwhile, the Community's Bank-
ing Federation, in its latest published re-
port, the last covering the Six, has call-
ed for the widest possible application of
banking legislation. The federation ar-
gues that any company whose activity
is made up of accepting deposits or
granting credits should be included.

illusory legislation

The federation, however, makes the
point that the co-ordination of banking
legislation is illusory in effect while the
Nine's economic and monetary policies
remain divergent. In fact, banking ac-
tivity over the past few months of mone-
tary crisis has tended to split into com-
partments rather than act as a unifying
agent in the EEC's financial markets.
The existence of exchange controls, and
the restrictions that have been placed on
borrowing funds abroad in such coun-
tries as West Germany, have held back
the switching of international funds into
domestic markets, and forced the banks
into their domestic markets to seek fin-
ance. One effect of this has been to dimi-
nish the impact that the City of London
might have had on the Community. The
influence and expertise of its institutions
can only be applied where the institu-
tions have actually established themselves
on the Continent. In short, the thrust
of the Community banking legislation is
running counter to the economic facts
of the present. It is a hope more than
an actuality.

Political approval has now been re-
ceived for the establishment of the EEC
Business Liaison Office, popularly known
as the marriage bureau, to bring toge-
ther medium-sized companies on a trans-
national bases throughout the Com-
munity. The office itself will be a small
body, with a budget of some 42,000 ua,
concerned with supplementing and com-
plementing work already done in this
field. At the same time, the Commis-
sion is anxious to assist the medium-sized
companies in research and development
projects, and has been meeting represen-
tatives of such companies to discuss
ideas. These representatives came from
the recently-formed International Fede-
ration of Small and Medium-Sized Indus-
trial Firms. In general they approved
the lines along which the Commission
was thinking.

From the joint discussions it became
clear that grants would be paid in na-
tional currencies so that exchange fluc-
tuations would be avoided, and that the

ats would be repaid only in the event at the research project came to a profitable conclusion. Problems of grant repayment might arise where the project attained only partial success.

II

Competition Case-book

The Commission has always considered the Continental Can case to be a test case. Now that the European Court of Justice has handed down its verdict, it can be seen that the Commission has lost the case but won the test. In the court's view, the Commission failed to prove that Continental Can had abused a dominant position within the terms of Article 86 of the Rome Treaty: i.e. the Commission's evidence did not meet the court's exacting standards. For Continental Can, the episode is probably finished.

On the other hand, the problem of controlling mergers where an unwanted degree of concentration can affect free competition has just begun. While the Continental Can case was thrown out, the principle under which the case was, in the first place, brought was upheld. The Commission had argued that the fact of concentration constitutes an abuse of a dominant position, and this the court accepted. Article 85 of the Rome treaty bans agreements between companies which, through market-sharing, price-fixing and so on, restrict competition. Article 86, relating to dominant positions in the common market, is linked to Article 85 by the court recognition that "the impairment of competition, which is prohibited when it is result of conduct covered by Article 85, cannot become licit under cover of the integration of firms...If it were to become licit...to make agreements reach such a degree of integration among firms that they would evade the application of this article (85), without coming under the application of Article 86, it would then become licit to compartmentalise a substantial part of the common market. This would be in contradiction to the fundamental principles of the latter".

Despite the court's attitude, it remains true that, from the Commission's point of view, Article 86 is a dubious weapon for the control of mergers. The Continental Can case showed that while the principle of abuse of a dominant position might well be affected by the mere fact of concentration, the practical evidence to support the charge must be based on an analysis of the market in precise terms. Certainly it has not prevented the concentration in the first place, and it is just this that, in certain cases, the Commission is anxious to do.

Of course, this is not a new question. Indeed, the European Parliament as far back as June, 1971, urged that the Commission should be notified of mergers before they took place, if such a merger meant that the companies would hold more than a certain proportion of the market. This view was reiterated in February, just a week before the announcement of the Continental Can verdict. The Commission itself has been thinking along much the same lines and is expected to present a draft regulation to the same effect for Council consideration some time this year. In doing this it can draw some encouragement from the communique of the October summit meeting, which mentioned that a common industrial policy would need "the formulation of measures to ensure that mergers affecting firms in the Community are in harmony with the economic and social aims of the Community, and the maintenance of fair competition as much within the common market as in external markets, in conformity with the rules laid down by the treaties".

There is, however, a wider problem by no means decided by the Continental Can verdict. The rationale for the control of mergers is that if one company or group of companies consolidates an overwhelming position in a certain sector, the element of free competition that gives the consumer choice will be lost. Yet it has been commonly accepted that size can be a virtue in itself, that the Community needs to encourage the creation of large trans-European concerns that can effectively compete internationally. The questions to be answered are: When does size create dominance? When does dominance create abuse?

III

Abuse of a Dominant Position

In January last, the Commission imposed one large fine and threatened a daily fine on the Institute Chemioterapico Italiano (ICI, Milan) and the Commercial Solvents Corporation (CSC, New York) for halting supplies of a substance used by the Laboratorio Giorgio Zoja company in the manufacture of an anti-tuberculosis medicine. The daily fine was to be imposed if ICI, a subsidiary of CSC, did not resume supplies in February. Supplies were resumed and the daily fine avoided, but ICI and CSC have announced an appeal to the European court against the imposition of the large fine and the demand for the presentation of a supplies plan to Zoja.

Companies concluding commercial arrangements with other concerns in doubt about their possible legality, within the terms of the Community's competition regulations, have been in the habit of depositing their agreements with the Commission and assuming that the agreement was legal until told otherwise. Indeed, specialists in Community competition rules have been telling companies for years that the benefit of notifying the Commission about a doubtful agreement was that the fact of notification gained the agreement a provisional validity.

court ruling

The practice has been overturned by a European court ruling made in February, but little publicised. The case concerns a cafe in Liege which had an agreement with the brewery S.A. Brasseries de Haecht. The cafe proprietor sold Danish beer and was then sued by de Haecht, who claimed that this breached an exclusive agreement that the proprietor had signed. The proprietor, in his turn, argued that the tying agreement was invalid because it was contrary to the Community competition regulations. De Haecht replied that the agreement had been notified to the Commission, which had not rejected it.

These arguments were unfolded before the Commercial Tribunal of Liege which sought guidance from the European court. The court decided that submission of a model contract was adequate notification to the Commission, but that the proceedings by the Commission to decide whether the agreement could be exempt from the competition regulations only started when the Commission actually "did something about it". receipt of the notification was not "doing something." Then, on the question of whether notification constituted the provisional validity of an agreement, the court said, "as regards new agreements, until the Commission has made its pronouncement, the agreement can be put into operation only at the risk of the parties..."

The Commission is carrying out an enquiry before deciding whether or not to appeal to the European court about opening up the French market for pharmaceutical products. In October, 1972, the Commission sent a reasoned opinion to the French government about what constituted a ban on the imports of these products. Patent medicines were permitted on the French market only if they receive a "visa". This itself was not

ispute, because there is no uniform sys-em of authorisations throughout the EEC for the marketing of pharmaceuti-als. The Commission quarrelled with he system by which the "visas" were ranted: the controls for their grant are arried out by manufacturers of French erritory, thus limiting the real possibili-ies for imports to products which are ot marketed generally, that is to say pecial products destined for hospitals nd so on. The Commission wanted the controls exercised at the source of manu-acture, or after the fact of importing. France has given the Commission tech-ical and legal details of the system, but o information which would lead to any conclusion on whether the effective ban as ceased.

The Council resolved to make a de-ision by the end of June on proposals o liberalise trade in pharmaceuticals hroughout the EEC. This would pre-umably solve the French problem. It would also bring to an end the price disparities between West Germany and the rest of the Community, for it has been alleged in the European parlia-ment that retail prices are substantially higher than elsewhere. But the whole question of free trade depends on har-monising the public health requirements of the member states, and achieving a degree of mutual recognition of each member state's authorisations for the marketing of medicines.

The French tobacco monopoly, SEITA, is under investigation by the Commission to see whether it is violat-ing the Rome Treaty. The enquiry has been prompted by SEITA measures relating to distribution that have led to "several dozen foreign brands of manu-fatured tobacco hitherto distributed by SEITA" being withdrawn from the French market. The company is being asked to present its case.

This information was revealed in reply to a question in the European par-liament. In fact, earlier this year the Commission had rebutted charges made in the parliament that SEITA had caus-ed distortions in the French cigarette market by not raising its own prices when additional taxes had caused an increase in the prices of imported brands. At that time, in February, the Com-mission asserted that measures of 1970 establishing "a common organisation of the markets in manufactured tobacco have led to the abolition of all forms of monopoly in the sector, particularly as regards growing, initial processing and marketing of manufactured tobacco".

Sources and acknowledgements : The foregoing summarises, by special arran-gement, a report in the latest issue of European Trends, published quarterly to subscribers only, by the Economist Intelligence Unit, 27 St. James's Place, London SWIA:INT, but the EIU is res-ponsible neither for the emphasis of my summary nor for my interspersed com-ments based on a variety of sources.

The confused bankers

E. B. Brook
Vienna.

THE CURRENCY preplexities continue unabated and once again the financial wise men—or one group of them, the ministers of the IMF's Committee of Twenty—are meeting in Washington to try to make firmer preparation for the Monetary Fund's annual meeting in Nairobi some two months hence.

The situation is full of contradictions that are not a little ridiculous. Two world currencies of great inherent strength, the US dollar and the British £, stand sharp-ly devalued and, with a few minor re-coveries, steadily sliding still farther. Since the American currency was officially de-valued by 10 per cent on February 12 the dollar's decline has been precipitous and since the Smithsonian parities were fixed in Washington (weighted to allow for trade flows with principal trading partners) the £ has gone down by 17.4 per cent. On the other hand the general Euro-float has risen in value, despite all the exchange controls the continental Market governments could invoke. The Germans alone absorbed some 4 billions-worth of various currencies since the beginning of March but were obliged to raise their mark by 5½% with their non-Market trading partner, Austria, nervous-ly raising its schilling by 4.8% to avoid ruinous prices for more than 60 per cent of its imports.

The situation has now reached a point where the decline in the value of the dollar is causing serious distortions in the American domestic economy and its external accounts. For this reason, though with great reluctance, the US Federal Reserve Board began on July 10, the day the Reserve announced that currency swaps with 14 central banks and the Bank for International Settle-ments had been raised by 6,250 million dollars to 17,980 million dollars to inter-vene to defend the dollar. The USA can borrow foreign currency on these swap lines to buy dollars on the markets and make speculative operations more diffi-cult. The intention, according to the Board and the US Treasury, is to main-tain orderly market conditions.

Since this intervention the value of the dollar (and of the £) has dipped further in what European market dealers describe as a test of this new interven-tion policy by the US and the major west European central banks. The un-certainty is increased by the looming cer-tainty of a world monetary reform and alterations at a later date in trading con-ditions as a result of the world trade talks under the auspices of GATT. To offset this uncertainty as far as possible it is now probable that the central banks will be permitted to sell gold before this world monetary reform is achieved. The IMF's "Twenty" agreed early this month that official gold sales would be a feature of future monetary arrange-ments.

Central banks have been banned from selling gold since 1968 when it was agreed to separate free market dea-lings in gold from the role of gold as a monetary reserve asset. Efforts to hold down the free market price of gold to the then officially agreed price of 35 dollars an ounce had cost the central banks nearly three billion dollars in just over five months. The price of gold on the free market today is nearly 125 dol-lars an ounce but gold in the vaults of central banks is valued at only 42.22 dollars an ounce and the banks can buy and sell it only to one another.

The huge discrepancy between the official and free market values of gold—about 83 dollars for every ounce—makes the 1968 agreement virtually meaning-less. Its purpose, to support convertibi-lity of the dollar into gold at the officia rate, became outmoded two years ag when the USA itself ended its converti-bility commitment. If now, belatedly the USA will sell gold for dollars and then freeze the dollars it will achieve two purposes—notify official US sup-port for the dollar and cool down spe-culation in the gold market. At th end of next year also the 1968 agree-ment between the IMF and South Afri-ca, the world's biggest source of gold under which the IMF undertakes to bu South African gold if the free marke price falls below the official price come to an end. The agreement has lon since lost its meaning but its formal en

.pring could be taken by the central banks as signifying the end of their commitment to keep away from the free market in gold.

Some bankers, especially the Swiss, still consider that sales of monetary gold on the free market would merely boost the dollar influx and certainly no Swiss banker is willing to consider parting with any gold at any price. The Swiss and the French are much less experimental and theoretical over these matters than are the Germans and, like their Belgian and Dutch colleagues, worry about the increasing undervaluation of the dollar. This undervaluation of the world's dominant currency and fears that next year may see an adverse turn in business trends raise fears among the bankers and finance ministries that so definitely undervalued a dollar would become undesirable for Europeans and that they would be compelled to take measures to defend employment. The very cheap dollar could result in such heavy imports of American products that firms in western Europe would have to lay off workers. Since heavy unemployment is the one factor that all west European governments fear politically, a series of protective measures against US products would be the most probable result—with repercussions from the USA following.

gold based system

The French are already compaigning to bring about a total break between the Common Market currencies and the dollar and to set up a gold-based Common Market currency system. As the dollar steadily weakens this becomes attractive to all the continental Market countries except West Germany which has absorbed far too many of them. All agree, however, that so long as US dollar debts totalling 80,000 million dollars are free to cause disruption in world currency markets there will be no hope of return to monetary stability. Deadlock on international monetary reform lasting for two years has sharply diminished hopes that IMF Special Drawing Rights would be effective in providing a means of buying out these dollar debts.

The Americans argue that, at the present official price of gold, their gold reserves are worth 11,600 million dollars, little more than one-eighth of the sum required to settle their debts. They oppose revaluing their official gold because they argue it would give an unwarranted bonus to gold producers—mainly the South Africans and the Russians—and would redistribute world reserves and financial influence in favour of countries such as France which has held a big proportion of its reserves in gold. The British, by contrast, have only 800 million dollars out of their total reserves of 3,000 million dollars in gold and would be very unhappy to see central banks start selling gold.

There are powerful voices from Britain that suggest that now is the time to buy into the US business and industrial market cheaply and the Americans appear to be expecting some leading German firms to invest in plant in the USA while they build and set it up at relatively low cost. But many others, including the German firms, are far more cautious. There is a good deal of cost-comparison to be done before any decision is made and west Europeans know only too well that market indications can be wrong as well as right. If as is expected, there is a bumper harvest in the USA and a glut of US grain exports shortly afterwards there could be a reversal in currency exchange trends and some of the currently overvalued west European currencies could start coming down.

All this uncertainty about money continues to lead to a commodity boom; commodities will remain an attractive haven for paper money until the many problems besetting the currency markets are solved. The stock exchanges have been having a poor time this year as a result. Nine of the 13 major world stock markets have been in decline. The Dow Jones industrial stock index has slid to 11.6 per cent and world-wide leading stocks are down by 9.5 per cent. In the gold market the central banks have been avid buyers and sellers have been very scarce.

Political weaknesses in the USA do not help create a feeling of certainty: markets might respond if there were a clearer statement by the US government of its cooperation with other governments to defend the dollar. But, unluckily, neither the US government nor the IMF speak with strong or decided voices and the markets and the bankers remain confused.

D-mark banks invade "The City"

T HAS taken German bankers a long ime to forget 1914. But now after nearly 59 years West Germany's top banks are moving back in strength into he City of London, where their former branch offices were sequestrated as enemy property on August 4, 1914.

Although different German banks and banking houses have been represented around Threadneedle Street in a variety of ways for some time, what he *London Times* has described as "the big rush" has just started.

The long delayed return to London s, in fact, a facet of something much bigger and more widespread.

For after losing many of their branches twice in less than half a century, n 1914 and again in 1939—41, top German bankers, despite the growing nternational importance of the West German banks, for long remained exceedingly canny about a third overseas sortie.

leading invader

The Dresdner Bank led the new German banking invasion of the City of London by converting their representative office of the past half dozen years into a new branch office in the shadow of St. Pauls Cathedral—just a few days after the beginning of 1973. (This is the first full German bank branch office in the City of London—and indeed the United Kingdom—since 1914).

To mark this notable occasion, the first transaction was the payment into the new branch of a cheque for £1 million by British Petroleum (BP), which had been the Dresdner's first British customer six years ago.

Only eight days later they were followed by their rival and West Germany's biggest bank, the Deutsche Bank, which, however, at this stage has remained content with a representative office only a stone's throw from the Bank of England.

They will be closely followed by the Commerzbank, generally regarded as the third of the German "Big Three", which has announced it will open a London branch in the early spring.

Following the example of the Dresdner, the Commerzbank, which for long seemed content with the small representative office which it opened in 1967, will now open an office offering all banking services. At the start the new Commerzbank branch may be temporarily housed in the premises of their French cooperation partners, Credit Lyonnais, with whom the Commerzbank hopes to co-operate closely in the City of London.

partnership venture

The Commerzbank also for a time has had a partnership in London with Lloyds Bank and a 25 per cent holding in the International Commercial Bank.

The "Big Three" are soon to be followed by two other leading German banks:

1. The Westdeutsche Landesbank with its rapidly expanding international reputation, which has had holdings for some time in a number of small British banks, will open a branch shortly, as well as establishing a leasing institute along with a British partner;

2. The German trade union-owned Bank fur Gemeinwirtschaft, which has had a representative office since 1969, will shortly open a branch office.

The Deutsche Bank which returned to London only a few months before the centenary of the opening of its first London branch in 1873, celebrated the occasion by nothing less than a meeting of the bank's board of management in their new premises in the City of London.

And the bank's chief executive Franz Heinrich Ulrich—officially he is known as "the spokesman of the board of managing directors"—indicated that although his bank has only opened a representative office, the possibility of a full branch later on had not been ruled out.

Reflecting the caution with which German bankers still regard foreign branches, he said it was the Deutsche Bank's current policy to operate no overseas branches at all.

Instead, he said, it relies largely on the association it has built up with other banks—notably the members of EBIC, a federation of European banks of which the huge British bank, the Midland, is a member.

At the moment the Deutsche Bank, which is among the top financial institutions in the world with assets exceeding 56.8 thousand million D-marks as of October 31, 1972, maintains 58 points of operation in 44 countries.

It might change its mind about overseas branches said Herr Ulrich, if London were to expand strongly in the field of international bills and commercial paper. But it could then come under pressure to open branches in other centers as well and find it difficult to recoup the heavy outlay involved.

merchant bank

A more likely venture, Herr Ulrich hinted, would be the establishment of a London-based merchant bank owned jointly by banks within the EBIC group. That, however, would need to be reconciled with Midland's large existing stake in the long established London firm of merchant bankers, Samuel Montagu.

Whatever form the bank's presence in London takes, Herr Ulrich is in no doubt about the City's importance as a financial centre.

"While it may be debatable," he said, "whether, among the European financial markets, London will be 'first among equals' or rank in an undisputed top position—personally I incline towards the latter view—it is quite certain that as the European Monetary Union progresses, international money and capital transactions among the partners and with the outside world will tend to concentrate strongly in the City."

He did not decry the contribution to be made by other European centre What he hoped to see was a network

ch centres, well integrated but each at its own specialities. In this context ondon would remain "an undisputed dominant place from which we would hope to receive continuous inspiration and incentives."

Herr Ulrich, who emphasized his bank's close association with the Midland Bank and with four other top European banks in the European Banks International (EBIC), said he had one particular request to make of London (in effect the British Treasury and the Bank of England); support for the liberalization of capital movements.

This was a field, he said, in which reverses had latterly been the rule.

The objective however, was of major concern to banking and should be extended beyond the borders of the EEC.

The Dresdner Bank, which operates from Bank of Boston House in the City, for its part has stated it will concentrate its London operations on international corporate finance and on the Euro-money and foreign exchange markets.

But what is the explanation of the so-called "sudden rush" of the German banks into the City of London?

One obvious reason is that now Britain is in the EEC it is likely that German companies will increase their investment spending in Britain. This alone is a reason for the German banks to strengthen their London base.

But Frankfurt banking experts say this is not the main reason.

Primarily, the German banks wish to get a major slice of the business involved in raising capital on international markets. For German companies are now moving into a phase of dramatic foreign investment expansion. The international expansion of the German banks has gone hand in hand with th growth of industrial investment ing abroad by German companies.

For most of the last two decade German companies have concentrat all their efforts in building strong pr duction plants at home and developin international sales networks. Few co panies have, until recently, had the fi ancial strength to set about the establis ment of large foreign production ne works. The total volume of Germa foreign investment in the last 20 year is considerably below the foreign inves ment spending in Germany during th last 10 years.

foreign subsidiaries

But now many of these compani are strong enough to raise cash abroa and they are under strong pressure t open foreign production subsidiarie The reason for this is simply that th international competitive position German exports has been sharply weakened by three currency revaluatio (counting the recent dollar devaluatio an explosion in the last few years o production costs and acute labour shortages.

For 20 years the German bank could competently cope with their international business through a large number of correspondent relationships wit foreign banks. As German foreign investment started to mount in size a few years ago so the German banks sough to strengthen their international organizations. They believed that the quickest and cheapest way to do this was to enter into a number of assorted types of joint ventures with foreign banks and such groups as ABECOR, EBIC and Orion were the result.

In addition, the German bank opened subsidiaries in Luxemburg to get a strong base in the Euro-currency money and bond markets. For this sort of business Luxemburg was seen as just as good a centre as London. It was preferred because rents there are just a fraction of City levels. The business of German banks in Luxemburg has become particularly important recently as exchange controls have been imposed in the Federal Republic.

Joint ventures have not proved completely satisfactory—especially as British banks appear to have no intentio of allowing these ventures to develo into any form of full international banking integration between partner membe

In addition the German Federal Bank has hinted that it may start inve

How European Banks are Linked

Group	Members	Total assets 1971 ($ bn)
EBIC	Deutsche Bank	15.7
	Societe Generale	11.7
	Midland Bank	11.6
	Amro Bank	6.1
	Societe Generale de Banque	5.8
	Creditanstalt-Bankverein	2.3
	Total	53.2
CCB	Credit Lyonnais	16.0
	Banco di Roma	9.8
	Commerzbank	9.6
	Total	35.4
ABECOR (1)	Dresdner Bank	13.1
	Algemene Bank Nederland	6.7
	Bayerische Hypotheken-und Wechselbank	5.9
	Banque de Bruxelles	3.4
	Total	29.1
INTER-ALPHA	Kredietbank	2.2
	Nederlandsche Middenstandsbank	2.1
	Banco Ambrosiano	1.9
	Credit Commercial de France	1.7
	Berliner Handelsgesellschaft Frankfurter Bank	1.2
	Williams and Glyn's	0.8
	Total	9.9
ORION (2)	Chase Manhattan Bank	24.5
	National Westminster Bank	17.3
	Westdeutsche Landesbank Girozentrale	12.9
	Royal Bank of Canada	12.4
	Mitsubishi	11.2
	Credito Italiano	9.2
	Total	87.5

(1) These banks also cooperate in Societe Financiere Europeene (SFE) with Barclays Bank, Banque Nationale de Paris and Banca Nazionale de Lovoro.

(2) ORION group not strictly comparable with other groups.

Source: *German International*, Research Department

German Banks' Holdings in London Banking Houses

Name	Assets (in £s)	Shareholders	% of capital	Country
Brown Harriman and International Banks	46.3 (Sept. 72)	Brown Brothers Harriman & Co.	22.0	USA
		First National Bank of Minneapolis	10.0	USA
		Pittsburgh National Bank	10.0	USA
		Prudential Assurance	18.0	Britain
		Banco Ambrosiano		Italy
		Berliner Handelsgesellschaft—Frankfurter Bank		W. Germany
		Credit Commerical de France	40.0	France
		Kredietbank		Belgium
		Nederlandsche Middenstandsbank		Netherlands
		Williams and Glyn's Bank		Britain
European Brazillian Bank Ltd	7.2 (30/6/72)	Banco do Brasil	35.0	Brazil
		Bank of America	17.5	Britain
		Banque Ameribas	17.5	Luxemburg
		Deutsche Bank	15.0	W. Germany
		Union Bank of Switzerland	15.0	Switzerland
International Commercial Bank	316.1 (31/12/71)	Hongkong and Shanghai	25.0	Hongkong
		Irving Trust Company	25.0	USA
		First National Bank of Chicago	25.0	USA
		Commerzbank AG	25.0	W. Germany
Libra Bank	not announced	Chase Manhattan Bank	na	USA
		National Westminster	na	Britan
		Royal Bank of Canada	na	Canada
		Credito Italiano	na	Italy
		Mitsubishi Bank	na	Japan
		Westdeutsche Landesbank	na	W. Germany
		Swiss Bank Corporation	na	Switzerland
		Banco Espirito Santo e Comercial de Lisboa	na	Portugal
Orion Bank	17.8 (31/12/71)	National Westminster	21.5	Britain
		Mitsubishi Bank	7.0	Japan
		Chase Manhattan Bank	21.5	USA
		Credito Italiano	7.0	Italy
		Royal Bank of Canada	21.5	Canada
		Westdeutsche Landesbank	21.5	W. Germany
Orion Termbank	156.6 (31/12/71)	Chase Manhattan Overseas Banking Corporation	21.5	USA
		Credito Italiano	7.0	Italy
		Mitsubishi Bank	7.0	Japan
		National Westminster	21.5	Britain
		Royal Bank of Canada	21.5	Canada
		Westdeutsche Landesbank	21.5	W. Germany
Rothschild Intercontinental Bank	185.0 (30/9/71)	Rothschild Five Arrows Group	45.47	
		First City National Bank of Houston	11.37	USA
		National City Bank of Cleveland	11.37	USA
		Seattle First National Bank	11.37	USA
		Industrial Bank of Japan	11.37	Japan
		Sal. Oppenheim Jr and Cie	6.17	W. Germany
		Eagle Star Insurance Co.	2.88	Britain
United International Bank	127.7 (31/12/72)	Banco de Bilbao	10.0	Spain
		Bank Mees and Hope	10.0	Netherlands
		Bank of Nova Scotia	10.0	Canada
		Banque Francaise du Commerce Exterieur	10.0	France
		Bayerische Hypotheken-und Wechselbank	10.0	W. Germany
		Credit du Nord	10.0	France
		Crocker National Bank	10.0	USA
		Privatbanken i Kjobenhavn	10.0	Denmark
		Sveriges Kreditbank	10.0	Sweden
		Williams and Glyn's Ltd.	10.0	Britain

Source: German International Research Dept.

…ing the activities of German banks in Luxemburg. And this has made the banks keener to widen the base of these operations. Furthermore, many German companies seem eager to get foreign stock market quotations. The London market is particulary interesting for them. Currently, there are barely a handful of German companies quoted on the London Stock Exchange.

The banks would almost certainly have started to open London offices, in view of the investment spending plans of companies, even if Britain had not joined the EEC. The only effect of British membership has been to quicken the pace of the entry to the City by West Germany's leading credit institutions.

London, however, is not the only target. After having been remarkably slow to move into the international banking arena, German banks are now jumping in with both feet.

Leading German banks have announced over 30 foreign expansion projects in the past twelve months. These range from the offices in Moscow opened by the Dresdner and the Deutsche banks, the branches in Luxemburg already referred to, and the Commerzbank forging close international links with Lloyds.

Apart from the fact that after the war German bankers were afraid of the sort of reception they might get if they started opening foreign branches, there was, in any case, little need for them to do so since German companies were not yet strong enough to consider large-scale foreign investment.

good correspondents

Finance for Germany's international trade could be arranged efficiently and cheaply enough through correspondent banks abroad. Indeed, by the late 1950s these correspondent relationships had become so good that German banks feared they might actually lose business if they upset them by opening branches of their own.

Although they did start to open some representative offices in international banking centres, these were seen as strengthening rather than displacing, correspondent bank relationships.

Things began to change only in the early 1960s, when German industry started to invest substantial amounts abroad; in South America, in particular, German bank branches began to follow industrial investment, often in partnership with banks already on the spot.

This trend accelerated by the mid-1960s as bank boards were taken over by a younger and more adventurous generation, uninhibited by war memories. Germans also began to take more interest in building up international investment portfolios and the Eurobond emerged as a tempting field for new banking ventures.

But the Eurobond market can be made over the telephone, and it is significant that for years the Deutsche Bank has headed the list of underwriters of international bond issues.

So most German bankers, like Deutsche Bank chief Ulrich, were and to some extent, as his speech in London showed, still are cautious.

Opening foreign branches is very expensive. But perhaps they were more influenced by a belief that western Europe would grow into a single large market, and that the cheapest, most efficient way of operating in it would be to build up, not large numbers of individual branches on the American model, but large international banking organizations in partnership with foreign banks.

german reticence

Indeed, some German bankers still reckon it makes more sense to send a man from Frankfurt to London for the day to do a deal than to establish an independent branch in London—which explains why, although German banks are now very active in international business, they still do not have all that many branches abroad.

While it is true that the recent proliferation of exchange controls has changed the calculations somewhat, the main thrust abroad has continued to be into wider international groupings, with an accent on Europe. And German weight in these groupings has grown with the merger trend in Germany itself.

Banks like the Deutsche or the Westdeutsche Landesbank think that although their international partnerships will develop into very close pacts, each member will remain independent in a wide range of banking activities. Others, such as the Commerzbank, believe that in time full mergers will produce large multinational banks.

The Germans are active in seven big international banking groups, some involved in all kinds of banking business, others more limited.

The European Banks International Company (EBIC) takes in six banks from six European countries, including the Midland and the Deutsche; some of the partners are joint members of other international groups. Through these groups and through branches of its own the Deutsche Bank, in particular, is now strongly represented throughout the world.

The Dresdner Bank and the Bayerishce Hypotheken- und Wechselbank (themselves working increasingly close together) are two of the four members of the Associated Banks of Europe Corporation (Abecor).

special relationship

Probably the tightest of the international groups is the CCB grouping made up of the Commerzbank, the Credit Lyonnais and the Banco di Roma. Within it, there is exchange of personnel between member banks and co-operation on every aspect of banking business. In time, other partners may well join; Lloyds has already established a special relationship with the Commerzbank and Credit Lyonnais.

Other international banking groups include: the Inter-Alpha group made up of the Berliner Handels-Gesellschaft, Williams & Glyn's and Dutch, French and Italian partners; the Orion Bank, which numbers the National Westminster and the Westdeutsche Landesbank among its partners; and the Societe Financiere Europeenne, with eight banks from as many countries, including the Dresdner and Barclays. Bankhaus Simon of Dusseldorf, the Bayerische Vereinsbank, Vereinsbank Hamburg and French, Dutch and Belgian banks are partners in a further group.

Some German banks have also established strong foreign operations in certain geographical areas.

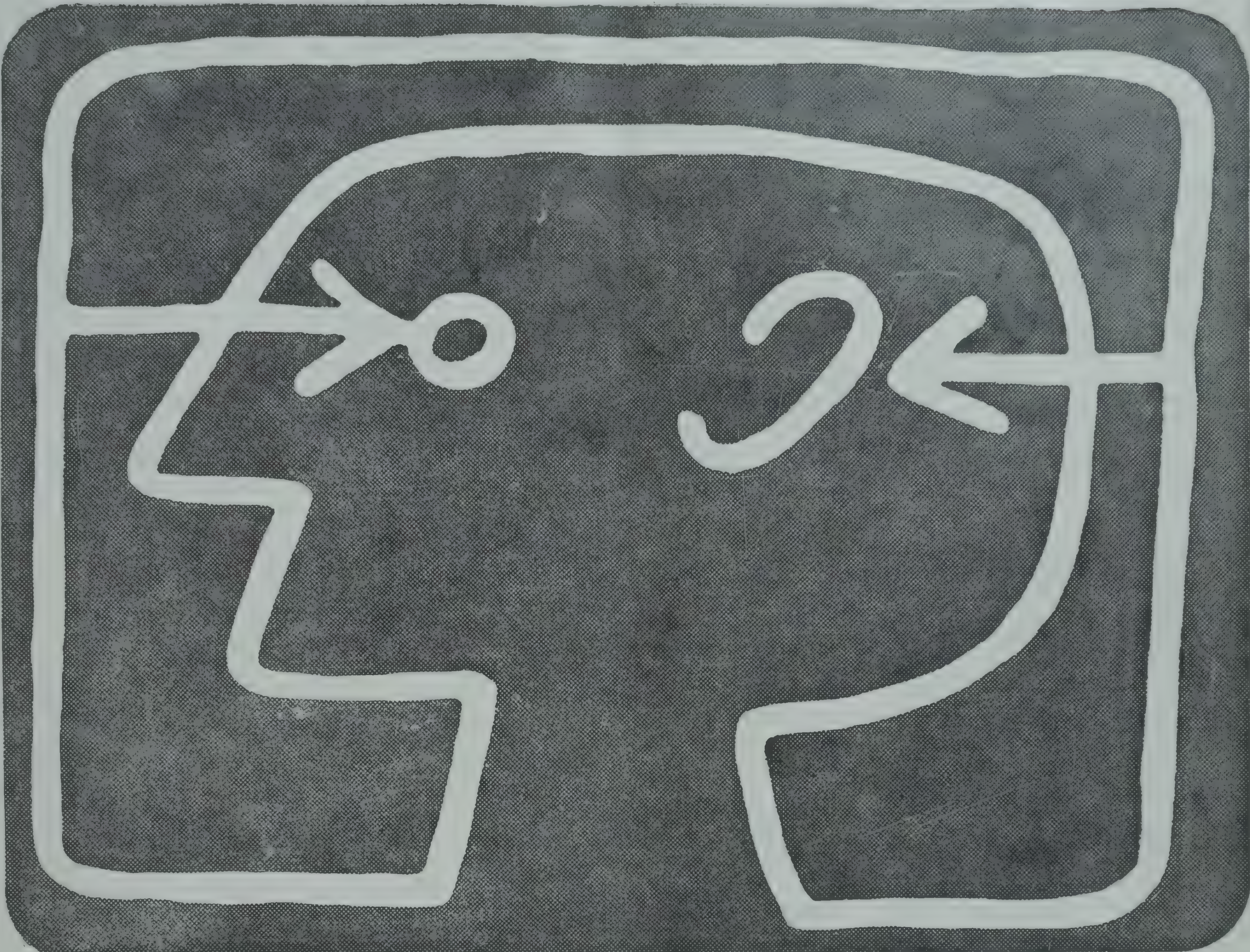
The trade union owned Bank fur Gemeinwirtscaft, for example, has close ties with eastern Europe through its Vienna branch and enjoys a "special relationship" with Israel.

International banking experts predict that even more international banking groups involving German partners can be expected and individual German banks are likely to strengthen their foreign branch net-works, particularly in countries in which German companies are investing heavily. A branch set up by the Dresdner in Singapore recently is an example of this.

Within the next few years the Germans are certain to be an even bigger power in international banking than they are now.

Courtesy : *German International*

International Radio & TV Exhibition 1973



Berlin.
Come September, Berlin will be the scene of the International Exhibition of Radio & TV. An exhibition of electronic enterprise from all over the world. And from the host country, Germany, too. The country that's co-operating with India in TV technology.

Berlin.
Spirited and vibrant. City of fun and fairs. Of art and music, commerce and industry. Berlin. Proud and free.

Berlin

Germany's bridge across Europe.

Federal Republic of Germany

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Reviewed by
Academicus

Asian economic market: a dream

Asian Economic Co-operation: Papers read at the Indian Economic Conference, Delhi, 1971; Bombay Popular Prakashan; Pp 39; Price Rs 15.

Ceiling On Urban Property: Papers read at the Indian Economic Conference, Delhi, 1971; Bombay Popular Prakashan; Pp 61; Price Rs 15.

Politics of Tribalism in Africa Today: B.S. Sharma; Department of African Studies, University of Delhi; Pp 168; Price Rs 31.

The Internal Colony—A Study in Regional Exploitation: Sachchidanand Sinha; Sindhu Publications; Pp 159; Prince Rs 25.

Economics of Land Reform & Farm Size in India: A.M. Khusro; Macmillan India; 1973; Pp 162; Price Rs 26.50.

Interest Rates and Flow of Funds: D.N. Pai Panandikar; Macmillan India; 1973; Pp. 180; Price Rs 27.00.

Asian economic co-operation has been an aspiration of enlightened Asians for quite some time. But due to vastness of the continent, a large number of countries involved, different political backgrounds and cultures and lack of complementarity among the economies of different countries (excluding Japan), Asian economic co-operation has still remained a dream. But it must be admitted that though the march towards the ideal is slow, some progress has already been achieved as is evident from the Lower Mekong Basin Development Scheme, the development of the Asian highway system, joint deliberations regarding primary commodities (such as coconut, rice, rubber and pepper), the Asian Development Bank, efforts to establish a clearing union and a payments union, renewed interests in matters relating to regional trade liberalisation and attempts at partial harmonisation of economic plans.

While agreeing that there is considerable scope for economic cooperation among Asian countries, all the five papers in *Asian Economic Co-operation* have emphasised the difficulties which stood and continue to stand in the way of effective economic cooperation among Asian countries. Thus C. D. Wadhva has pointed out the wide disparities in economic development and absence of a strong political will among Asian countries for cooperation as the main difficulties. Some other difficulties pointed out by the author are the very dissimilar stages of economic development (ranging from Japan at one end and Afghanistan on the other), economic planning on the national basis and hence non-complementarity, absence of industrial planning for the regional market, acute balance of payments problems and therefore attempts at import-substitution rather than import liberalisation. He has therefore advocated, instead of economic cooperation among the countries of a vast region covered by the ECAEF, the sub-regional approach at the present stage as the most practical step to achieve economic co-operation among Asian countries. Unfortunately the author has not given any details regarding what should constitute the optimal sub-regional grouping in Asia. It cannot be denied that the author's suggestion regarding sub-regional approach would be a constructive step towards eventual Asian cooperation.

B. C. Parida has also referred to the same difficulties and has pleaded that success will come through small steps. He has therefore suggested cooperation in producing key-products like steel, fertilisers and petro-chemicals and reducing quantitative restrictions on trade.

K. M. Raipuria has emphasised the importance of establishing Asian economic cooperation by pointing out the deteriorating trade position of the Asian developing countries vis-a-vis the rest of the world. Thus the share of trade of developing countries in world exports declined from 21.5 per cent in 1959 to 17.9 per cent in 1969. There is however great scope for increasing trade among developing countries of Asia and Mr Raipuria has suggested that the presence of a coordinating agency like an Asian Economic Community would lead to a higher rate of exports of developing countries among themselves. He has however not pointed out how this Asian Economic Community is to be brought into existence when even the creation of a free trade area or a customs union has been difficult to achieve. The author has however rightly emphasised that there could immediate be better cooperation among the Asian countries in the field of agriculture. This would also strengthen their bargaining position.

trade cooperation

G. S. Kushwaha's paper has concentrated the attention on regional trade co-operation among the developing countries of south-east Asia. The conclusion drawn is that the ECAFE region must actively pursue all the means to develop intra-regional trade as there are clear advantages of the size of the market, better division of labour, economies of scale, higher level of efficiency and establishment of new lines of production. According to Mr Kushwaha, the only difficulty is the political one. But he is of the opinion that "regional trade co-operation ranging from harmonisation of trade policies to the formation of a free trade area is feasible and practical."

Examining the various forms of economic cooperation, D. D. Guru has opined that cooperation on the basis of commodities rather than geographical contiguity appears to have better prospects.

Asian Economic Co-operation presents enlightening essays full of information and constructive suggestions. In matters of Asian economic cooperation certain factors will need very careful handling. The most important difficulty will be the political one. One is afraid that the western countries will make

desparate efforts to put all kinds of obstacles in the way of the emergence of such cooperation among Asian countries. Though political imperialism is dead, it will take a long time for economic imperialism of the western countries to die. Further it must be remembered that Asia is a vast continent with more than half the world's population and therefore any attempt to turn the whole continent into one market or economic unit will for long remain a dream. The immediate endeavour should therefore be to aim at sub-regional cooperation which is quite a viable proportion, care being taken at the same time to see that such sub-grouping does not become an instrument for the creation of narrow interests and loyalties but is geared to greater cooperation with other sub-regions, eventually leading to greater cooperation among all the Asian countries.

Socio-Economic Problem

The problem of ceiling on urban property is not a 'pure' economic problem. It is not only economic but a socio-political problem involving judgment on human ends and human values. But even the students of pure economics cannot ignore this problem when economic theory is fast developing into a social theory "relevant to the challenge of the times and the needs of man."

A majority of the nine papers in *Ceiling on Urban Property* has traced the case to the classical concept of rent. Dr A. C. Menocha has dealt with the methodology of assessing urban property values and on the basis of a case study of Bhopal has come to the conclusion that the ceiling "will not yield any substantial surplus." Dr Mogri has argued against ceiling on urban property on the ground that agricultural and urban land cannot be treated on equal footing. To realise the objective of the reduction in unequal income distribution, he has suggested instead fiscal measures. Dr P. V. Rajkumar, in his case study of Tamil Nadu, has maintained that urban land tax is more desirable than ceiling on urban property. Dr Niloy Mujumdar has also maintained that the proposed objectives cannot be achieved by fixing ceilings. He has also suggested fiscal measures as a better alternative. On the other hand, Dr R. C. Patnaik and Dr S. Chandrasekar have argued in favour of ceiling "to prevent speculative investment and to counteract the loopholes in the fiscal system operating in the country." Dr P.K. Bhargava has dealt with the constitutional provisions regarding feasibility of fixing a ceiling on urban property.

There is no doubt that property is an integral part of human personality in an ordered life of purposeful activity. It is an integral element of a free life. But it appears reasonable to state that there is a limit or an optimum relative to the capacity of the person to use it productively. A distinction will have to be made between property meant for use and property used for power. In a democratic set-up a few with immense amount of property (which implies power) cannot and must not be allowed to rule over the majority who have no property. The reduction of the area of poverty should become the major objective of our developmental activity, rather than mere increase in per capita output. What is more important, with the revolution of rising expectation among the vast masses of the poor in India—more than 300 millions out of 550 millions—it is not even safe for the few rich to keep the many poor and frustrated amidst them. The poverty-stricken masses in India will not remain mute for long waiting patiently for the golden age to emerge, the signs of which are not seen on the horizon even after 25 years of independence of the country.

The problem of fixing a ceiling on urban property is not purely an economic question but is a broad socio-economic issue. But while looking at the problem of ceiling from a broad socio-political angle, it must not be forgotten that the problem of ceiling must not be so handled as to remove incentives to increase production of wealth and thus increase the poverty of the masses instead of reducing it. It means that the ceilings must be so fixed as not to adversely affect production. It is, therefore, more of an administrative problem—working out the optimal figure and giving effect to that. If the optimum holding is so fixed as to give full scope to the productive powers, the producers will have no objection to such a ceiling. The objection to urban property ceiling is on the other hand likely to come from the politicians who are using property as an instrument of political power.

Tribalism in Africa

Dr B. S. Sharma was in Africa for eight years and has therefore acquired first-hand knowledge of the political life of various countries in Africa. He was also for some time teaching political science at the University of Khartoum. In his *Politics of Tribalism in Africa Today*, he has given the Indian readers first hand impressions about political life in different countries in Africa.

It is found that during the early period of colonialism, political consciousness among the people of countries in Afric was conspicuous by its absence. Subse quently politics emerged with the que tioning of the legitimacy of foreign rul The evolution of a consensus on the go of independence marked a big advanc in political consciousness of the Africa people. But the consensus arrived during the days of the the struggle fo independence was short-lived. Wit independence, the tribal, regional an sectarian interests came to the surface an African politics took a tribal form. Th result was that the basic problem con fronting the leaders after independenc was the problem of creating nations ou of congeries of tribes. Though the edu cated African elite condemns tribalisn and tribal loyalties, it is not possible, a Dr Sharma has maintained, to explain th major events of the post-independenc period in African countries without con sidering the essentially tribal setup ther Tribal loyalties are still so deep-roote in African countries that they canno be removed or destroyed without resort ing to wholesale genocide of many tribes This is clearly impossible and unjust fiable.

weakened loyalties

There is no doubt that during th colonial days many factors such as replace ment of the African tribal chiefs b Europeans, introduction of Christianity western education and acceptance of ne values such as democracy and socialisn by the African educated, introduction o colonial economy breaking the self-suff ciency of tribal groups, and urbanisatio weakened the tribal loyalties of th African peoples. And yet the essentia character of African society did no change fundamentally. Thus after indepen dence the institution of tribal chieftainshi has come back into its own and thos very people who attacked tribalism an especially tribal chiefs as being the agent of imperialism and orthodoxy have bee anxious to preserve the institution whe they came to power. Similarly inte tribal rivalries and animosities, and th latent forces of matual fear, suspicion and hatred have all again come to th surface.

But it should be noted that tribalisn in African countries today is markedl different from its old prototype. Triba ism has assumed a new form in the natio nal structure. Now tribalism means exer ting pressure for jobs in civil service an demanding various amenities for triba groups which the government is in a pos tion to provide. When some people d not get these benefits, they are inclined t blame the rival tribes. The fact remair

that in the process, the authority of the centre remains unquestioned. This strengthening of the central authority may in the long run contribute the evolution of national unity among various tribal groups.

The tribal factor thus continues to play an important role in African politics, though it has assumed a new shape. Now intelligentsia has had to forge a new alliance with tribal groups. To advance their respective interests the tribes try to influence or control the government. Attempt is made to maintain the dominance of a particular tribe or to adjust the claims of various tribes to ensure a reasonable balance. In case there are two or three powerful tribes, the chances of adjustment are fewer than if a country has a large number of small tribal groups. But the tribal struggle for political power is uniformly present and is fierce, though it takes different forms in different African countries. Sometimes it gives rise to boundary disputes and secessionist movement while at other times, it leads to one-party hegemony or military rule. Stability is achieved when a system has succeeded in balancing claims of different tribes in a country. Though mostly these tribal rivalries do not produce national disasters, they underlie and affect everyday politics in most of the African countries. Naturally this disappoints African leaders as it reduces their leverage in world affairs. And yet strangely in the United Nations African countries show a remarkable degree of co-operation which however is generally absent at home.

Political developments

Against this backdrop it becomes easier for non-African readers to understand properly the political developments in African countries such as Gold Coast, Kenya, Uganda, Malawi, Zambia, Congo, Rwanda and Burundi and others.

As yet, at best, African nationalism remains a vision and at worst a mere tribal manifestation. The urge for economic development has yet to take a tangible shape of a uniting force to help a sound, stable and equitable political order.

What is the solution? According to Dr Sharma, it would be best to start with community development project which by themselves educate people in civic life. Then alone intertribal cooperation would be strengthened leading eventually to cooperation at the national level and emergence of nationalism.

Though at an elementary level, Dr Sharma has succeeded in giving to lay readers a fairly clear picture of political developments which are taking place in African countries. After reading this book the readers would certainly be in a better position to appreciate the day-to-day developments in African countries about which they read in the newspapers.

Regional Exploitation

Two strong and opposite currents are observed for some time in the field of centre-state relationship. On the one hand there appears to have occurred greater and greater concentration of power —especially financial powers—at the centre while on the other hand there is increasing demand by the states for greater autonomy and financial resources. This matter of centre-state relationship has been attracting greater attention especially since the general election of 1967 when non-Congress governments came to power in some states. But the issue is of great relevance to all the states as well. There is no doubt that the entire relationship between the centre and states needs a thorough re-examination and recasting in the light of experience gained since 1950 when the present Constitution was put into operation. What is more important, this question needs to be examined from a board socio-political angle and not from narrow legal and constitutional perspective.

Many studies have been undertaken so far analysing this problem and suggest remedial measures to improve relations between the centre and the states. Some of the books on this subject have already been reviewed in these columns. But, whether or not one agrees with Mr Sinha's point of view in his book *The Internal Colony—A Study in Regional Exploitation* there is no doubt that this is one of the best books on the subject written with incisive logic and vast amount of supporting data.

According to Mr Sinha, the past legacy of colonialism has continued even in independent India especially in regard to backward states. the capitalist class in league with the ruling bureaucracy has perpetuated the old relation under the productive umbrella of 'nationalism' to extract the maximum benefit from these states. Instead of writing in terms of generalities, Mr Sinha has analysed in this book this problem in regard to Bihar, though according to him, the same pattern of relationship could be found in regard to other states such as Orissa, Assam, Madhya Pradesh and Uttar Pradesh. The author has made an attempt to show how the present pattern of relationship between the centre and the states has hampered many of the states and especially the backward ones in promoting their interests.

According to the author attention of the present generation is concentrated on three problems: (a) forging links among nations, (b) federal or confederal agglomerations and (c) intermittent attempts by small nations or regional groups within a nation to achieve a better economic deal, autonomy or even complete independence. But people are as yet so much overwhelmed by the feeling of nationalism, that the claims of regional groups within a nation have hardly received any attention on the specious ground that yielding to any such claims of regions or sub-nationalities would result in weakening the nation vis-a-vis other nations. This emotional hold of nationalism has helped, according to Mr Sinha, "the capitalists and the ruling bureaucracy in every country to manipulate national policies to promote their self-interests". All federations, whether they call themselves socialist or capitalist, have displayed strong centralising tendency.

voluntary union

What is to be noted is that nearly all federations many of which claim to be voluntary unions, having once come into existence, have denied the right of secession on one pretext or another to the constituent units. And therefore while all the countries denounce imperialism, it has never occurred to them that the role of imperialism is being played by the dominant groups exactly in the same old way in every country in respect of certain regions and peoples in the states. All this is being done in the present century in the name of nationalism and to say or do anything which is likely to weaken it militarily appears as the worst from of apostasy. If at one time the ruling classes used religion as an opiate to keep the people suppressed, in the twentieth century another opiate has appeared under the guise of nationalism which is being used, according to Mr Sinha, as an instrument by military-industrial-bureaucratic junta at the centre to deny the rights of people in different regions and keep them subjugated for their personal interests. This is the new imperialism.

According to Mr Sinha the policy or centralisation which began with the British has continued under the Congress in independent India. Its one effect namely the stagnation of the Indian economy has begun to cast its ominous shadow on the whole future development of the country. But the effect of this stagnation is felt most in those states which had been comparatively backward when the British left. What is worse, those states have continued

to suffer from serious discrimination and from a form of colonial exploitation.

Mr Sinha has expounded his thesis of new imperialism of internal colonial policy with reference to Bihar. He has shown that almost the entire industrial and banking interests in Bihar are controlled by outsiders as also a large part of its trade and transportation. Bihar thus continues to pay tribute to outside financial and industrial interests. Mr Sinha even asserts that a deliberate policy of descrimination against Biharis is being pursued all along. And what is noteworthy is that such a policy of exploitation and descrimination is not confined to the private sector enterprises but is to be seen even in the public sector, as according to Mr Sinha, both the sectors are dominated by the same capitalist-bureaucratic setup at the centre. The consequence of all this has been that while the per capita income in 1969-70 (at current prices) in Delhi was Rs 1239, in Bihar it was just Rs 402, only Jammu and Kashmir and Orissa being below Bihar in this respect. Whatever the indices of growth taken into account, Bihar continues to be far backward compared to other states in India and this in spite of its rich agricultural and mineral resources.

devolution of powers

Mr Sinha has pleaded very strongly for a substantial devolution of powers from the centre to states. He wants a radical recasting of the financial resources between the centre and the states which should also be given substantial powers in matters of industrial development. If the states are given greater say in matters of its economic development, its resources would be exploited much more efficiently and for the better advancement of its people. And when the units of a federation are strong, to that extent would the strength of India grow. Mr Sinha therefore has maintained emphatically that the old British institutions and policies which are continued by the successive governments in independent India should be given up and the states should be given substantial powers in all spheres including, in extreme cases, the right of cessation. Emergence of Bangladesh which was exploited for long as an internal colony by the western wing of Pakistan should serve as an eye-opener to the rulers and ruling cliques at Delhi.

There is no denying the fact that we have borrowed most of the political and economic institutions from the British as also their policies and while the British left India more than twenty-five years ago we are yet clinging fast to the old colonial institutions and policies, especially as that is in the interest of the ruling party or cliques. There is no denying the fact that with a totally different set of aims and objectives, we will have to fashion new and suitable institutions and policies. Gandhiji had that vision and constructive ability; but his followers lacked these powers. The result therefore has been a sort of new colonialism and such states as Bihar and Orissa feel frustrated and complain against the centre of cliques at the centre. There is also no denying the fact that the states of the Indian union need to be gtven more financial and industrial powers so that they can show more initiative, exploit their natural and human resources in a more effective way and bring about substantial improvement in the standard of living of their people.

Having said all this, it must however be admitted that Mr Sinha often takes an extreme position in regard to devolution of powers which according to him should also include the right of cessation. It is a notorious fact that centrifugal forces have always been very powerful in India and given the opportunity India will again break into pieces which will be destructive to the interests of the states themselves in whose behalf such a policy of devolution is advocated by Mr Sinha. What is required is a balanced distribution of powers and resources that should strengthen both the centre and the states. The author has definitely made a very strong case for greater decentralisation of powers in favour of the states. The persons who matter should read this book for there is no doubt that they will be convinced of the case for decentralisation put up so ably by Mr Sinha.

Farm Size in India

Among the factors responsible for the low level of production and slow growth rate of agricultural production, the two important factors are: (1) The decay of of tenurial relations and the small size of farms and (ii) the meagre use of insputs and much less than optimal combination of agrcultural inputs.

These two explanations instead of being used as complementary to each other have come to be viewed as competitive. Thus often the advocates of tenurial reforms and farm-size changes have underestimated the need for greater use of agricultural inputs and have "carried their advocacy of land reforms to the point where one almost begins to believe that every farm-family and every arable acre is ridden with dis-economies of small size and disincentives of bad tenure. "At the other extreme the advocates of input-use have soft-pedalled the need for size-tenure changes as though agricultural productivity is entirely independent of land reforms and as though input-intensification programmes can go through everywhere without size-tenure changes." According to Dr Khusro in his *Economics of Land Reform and Farm Size in India* "policy apart even on the analytical plane, the extreme pre-occupation with size-tenure problems to the neglect of inputs or with input-intensification to the neglect of size-tenure changes may partly be dictated by ideology but is largely the result of lack of knowledge and data about the relative extent of size-tenure difficulties on the one hand and the input use on the other."

major issue

Dr A.M. Khusro has made an attempt in *Economics of Land Reform and Farmal Size in India* to analyse the major issue of land tenure and land refom in order that more relevant policy conclusions are obtained than are possible in the absence of such an analysis. According to Dr Khusro in fixing land ceilings, considerations of equity and considerations of productivity must combine. His conclusion on the basis of the existing data is that with the present techology still largely dominated by bullock-use, farms ought not to be below a 5-acre size. The author has pressed the Indian farm management data into service to reach the conclusion that "(above the 5-acre size) there is nothing to choose between large farms and small farms in respect of cost efficiency and productivity."

Assuming that ceiling imposition, tenancy legislation, consolidation of holdings and co-operative farming are all desirable and feasable, Dr Khusro has developed a strategy which integrates all these measures in the right sequence. He has however emphasised that while formulating the above strategy with the objectives of improving productivity, improving the income distribution in agriculture, augmenting marketable surplus and introducing technological changes in agriculture, the agricultural strategy must be properly linked with the industrial and other sectors of the Indian economy. He has also recommended that to maintain a steady flow of surpluses from agriculture to industry and to promote industrial growth on which the gainful employment of the surplus agricultural labour force eventually depends, agricultural taxation with progressivity and incentive built into it will have to be used.

In a sense *Economics of Land Reform and Farm Size in India* does not add anything new to the existing stock of knowledge about agricultural economics; but its

merit lies in this that instead of speaking in terms of generalities, the whole analysis is set within the microeconomic framework, thus providing specific guidelines for policy-framers and administrators, provided of course that they are keen on implementing a really progressive agricultural policy.

Direction of Funds

Development requires and is limited by finance. Planned development which means development of the different sectors of the economy in proper proportions requires that appropriate funds flow into different sectors. Since in a country such as India, there is mixed economy with public and private sectors, corresponding direction of funds has to be successfully manipulated to achieve the different sectoral targets and the overall growth rate. An attempt to direct the flow of funds and achieve a degree of financial coordination was made in 1968 when the National Credit Council was established. But the Council has been discarded since the nationalisation of major commercial banks in 1969 so that this business of financial coordination has now become the responsibility of the Reserve Bank of India.

It should be noted that financial planning which is and should be an integral part of national developmental planning need not imply complete government control over the direction and distribution of funds. In fact such an overall direction and control over funds by the government is likely to lead to financial imbalances. It is equally true that mere market mechanism would not be an adequate and satisfactory device to bring about the desired distribution of funds among different sectors of the economy. According to Dr D.N. Pai Panandikar, author of *Interest Rates and Flow of Funds* what is necessary is an appropriate combination of the two.

According Dr Pai Panandikar an important measure in this regard is the rate of interest, the distribution of given savings among different categories of borrowers being influenced by the relative rates of interest. In other terms the structure of interest rates would, other things remaining the same, bring about corresponding changes in the flow of funds. This means there is need to investigate whether the structure of interest rates is appropriate and the institutional constraints are judiciously imposed so as to promote the flow of financial resources in the desired direction so as to help different sectors to achieve their respective targets.

The interest rate policy has gained considerable importance these days because of the emphasis that has been put on providing larger financial assistance to the weaker sectors namely agriculture, retail trade, transport operators and the self-employed. Interest rate has come to be looked upon as an instrument of social justice and to be based upon the borrower's capacity to pay. This means "the desired distribution of funds will have to be brought about only through a combination of interest policy and institutional constraints which suit the development needs of the society." At present these institutional constraints (through control of capital issue, licensing policy, etc.) are exercised in favour of government and to some extent the corporate sector. If the weaker sectors have to be protected, the interest rate structure and the institutional constraints will have to be reframed. This is what Dr D. H. Pai Panandikar has written about in *Interest Rates and Flow of Funds*.

foundation of strategy

Having made out a case for appropriate financial strategy, the Dr Panandikar has analysed the foundations of such a strategy. Development implies participation by all the three sectors viz. government, corporate and the household in economic effort. The government can raise funds for the public sector by taxation and borrowing mainly. Unlike government, there is close correspondence between sources and needs of funds in the case of the corporate sector. The sources, apart from retained earnings, are capital issues including equities, preference shares and debentures and loans from financial institutions and banks. The household sector is not well organised. A large part of fixed investment is financed from own savings, though in agriculture and small scale industries sector some effort has been made to establish institutions for mobilising resources. But considering the size of needs, the effort has been weak and haphazard.

The development of the economy thus creates a certain demand for short-term funds by all the three sectors of the economy. The part of investment which in made, as in the case of government sector, without any reference to the rate of interest is called the institutional effect. The institutional effect (as in the case of IFC, ICICI and IBRD, etc.) creates a protected market for corporate securities and loans. It is obvious that the allocation of resources which constitutes the institutional effect is not on commercial considerations. Th of resources which is not subject t stitutional restrictions is invested o basis of relative interest rates. amount of these resources that a sec is able to attract will depend on the of interest on that security relative the rate of interest on other secu and can be called the interest eff The collections in respect of any sec will consist of two parts, viz. the ins tional effect and the interest effect, first being governed by the institut characteristic and the second by relative interest rates, It is possible the whole of the demand for a sec may constitute institutional effect; equally possible that the whole of demand for security may constitute terest effect. Generally both these e play a part, one being more pronou in the case of some securities than ot It is obvious thus that the instituti effect and the interest effect togethe termine the distribution of reso among different securities which m different sectors of the economy.

In a planned economy the flov funds has to conform to the financia quirements of different sectors and t fore calls for appropriate managemer institutional effect on the one hand interest effect on the other. The par in India at present is that the hi creditworthy sectors (public sector many of the units in the corporate se get finance from the institutional reso (which is a highly captive market), the weaker sectors of the economy as small farmers and self-employed sons in small scale and cottage indus are required to get finance from market where interest rates pred nate. In the light of this situat Dr Panandiker has given a broad ou of the financial policy which will mote a desired distribution of fina resources by manipulating instituti effect and interest effect.

a complex matter

Monetary policy is a complex m and much sophistication is being i duced in monetary analysis and fo lation of monetary policy. Reader Dr Panandikar's book will be in a tion to answer such questions as wh government has been able to manag financial policy properly, whether is a satisfactory interest rate stru and whether banks have been expan too fast at the expense of financia stitutions. There is no doubt that Panandikar's book will and should at wide attention from administrators of national finance.

Taxes and trusts

Taxation of Charitable Trusts : S. P. Pahwa ; Published by Taxation Publishers (P) Ltd., 174 Jor Bagh, New Delhi-3 ; Pp 360 ; Price Rs 40.

Reviewed by **S. P. Chopra**

The first Income Tax Act (enacted in 1922) covered charitable trusts as well but in a rather perfunctory manner. The changes in law covering charitable trusts which have been made till today are numerous and somewhat complex. Mr S.P. Pahwa needs to be complimented for the pains taken by him in tracing the history of developments in income-tax law relating to charitable trusts and bringing the relevant information upto-date. The chief merit of the book is that it deals with different income-tax problems or charitable trusts in detail illustrating the exposition with reference to decisions of the income-tax commissioners. The book is devided into 17 chapters. Starting with the general characteristics of a trust, it analyses various developments in different periods of time and ends with a description of various "forms and precedents".

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TRADE WINDS

Coal Distribution

THE GOVERNMENT of India has constituted a high-powered committee to streamline transport and distribution arrangements to ensure efficient and regular supplies of coal to consumers, including power plants and industries. Mr Subodh Hansda, deputy minister for Steel and Mines, is the chairman of the nine-member committee. The other members of the committee are Mr K.S.R. Chari, Secretary, union Department of Mines; Mr B.M. Kaul, Member (Transport), Railway Board; Mr J.G. Kumaramangalam, Chairman, Coal Mines Authority Limited; Mr R.N. Sharma, Chairman, Bharat Coking Coal Limited; Mr K.I. Vidyasagar, Chairman, Singareni Collieries Co. Ltd.; Mr S.K. Guha, Joint Secretary, union Department of Steel; Mr S.B. Lal, Joint Secretary, union Department of Mines, and Mr S.K. Dhar, Director in the union Department of Mines (Member-Secretary).

The terms of reference of the committee include reviewing of the existing arrangements for transportation and distribution of coal from mines to steel plants, power houses, railways, cement, brick kilns and other industries as well as domestic consumers and suggesting of long-term as well as short-term measures for efficient and regular distribution of coal to all categories of customers.

The committee will also examine the extent to which modes of transport other than railways can be utilised for the movement of coal during the fifth Plan and the steps that have to be taken in this connection by the various agencies concerned.

Power Equipment Consortium

The Indian Consortium for Power Projects Ltd., a public enterprise under the ministry of Heavy Industries, has won its eighth export order—the largest by value so far—for Rs 1.20 crores from Zambia Electric Supply Corporation (ZESCO), Zambia. The scope of the contract covers supply, erection and commissioning of mechanical equipment, consisting of three radical gates with associated hoists and embedded parts, one bulk head gate with three sets of embedded parts and one gantry crane with rails for spillway plant for the Itezhitezhi dam project. The equipment will be designed, manufactured and supplied by Triveni Structurals, a member company of ICPP. The transportation from India upto the destination site in Zambia and the erection, testing and commissioning work will be completed by ICPP, with the assistance of Triveni Structurals supervising engineers, by the end of November, 1976.

The project is partly financed by World Bank and ICPP's offer against a global tender was most competitive among seven tenderers from industrially advanced countries like West Germany, Italy, Yugoslavia and Austria. The contract has been secured against stiff international competition. The Consultant for the project is the internationally known Swedish firm, VATTENBYGGNADSBYRAN (VBB), a member of the Swedish Association of Consulting Engineers (SWECO).

The Itezhitezhi dam project for which this equipment is being supplied is to regulate the Kafue river for the purpose of hydro-electric generation at Kafue gorge where a storage dam will be constructed. The dam will create a reservoir of a gross volume of 5.7 km3, extending some 40 km in the upstream direction over an area of 37,000 hectares.

The supply includes one gantry crane weighing approximately 216 tonnes. The radial gates will each weigh approximately 90 tonnes, while the bulk-head gate will weigh approximately 156 tonnes. An electric hoist will also form part of the supply. The entire design and manufacture of the gates will be carried out by Triveni Structurals at Naini, Allahabad.

This contract is expected to earn for India foreign exchange of approximately one crore of rupees.

Besides this contract, the consortium has won two more export contracts during the last three months. One of them is for co-ordinated supply and supervision of erection of electrical equipment for the Phnom Penh high voltage transmission project awarded by the Societe Nationale des Grands Barrages (SNGB), Khmer Republic (Cambodia), valued at Rs 45 lakhs. This project is to be financed by a loan given by the Asian Development Bank. The second order, valued about Rs 10 lakhs, is from M/s National Electricity Administration, Iraq, for the coordinated supply of 132 KV, 33 KV switchgear equipment forming extension to their existing Samawa substation in Iraq.

With these orders, the value of export orders secured by ICPP has crossed Rs 2.89 crore mark. One of the contracts for the supply, erection and commissioning of 2 nos. 50 MVA, 132/33/11 KV power transformers in Tanzania valued about Rs 28.65 lakhs, has already been executed well ahead of schedule and to the entire satisfaction of the customer as well as the Swedish consultants. Two other earlier contracts from Malawi, valued about Rs 23 lakhs, have also been completed. In the case of the contract under execution from Kenya for the turn-key supply, erection and commissioning of equipment for three substations valued about Rs 61 lakhs, the supply of equipment has been mostly completed and the erection is in progress. The entire work is expected to be completed by April, 1974, as per schedule. A small contract from Ghana valued about Rs 1.50 lakhs for supply of instrument transformers is also being completed shortly.

The total value of domestic contracts currently under execution by ICPP is nearly Rs 3.70 crores. Tenders worth about Rs 4 crores are now under active consideration of the customers in India and abroad.

With a view to diversifying the activities of the consortium, an erection department and a planing and an engineering department, have been recently set up. It is hoped that erection contracts valued about Rs 10 crores will be executed annually by the consortium, besides turn-key contracts for supply, erection and commissioning of power stations/substations.

The consortium has already crossed the break-even point during 1972-73 and has made a marginal profit. It is expected to make a profit of Rs 10 lakhs during the current year and wipe out the cumulative loss upto 1971-72 and generate adequate surpluses in the subsequent years.

Public Sector Appointments

The action committtee on public sector undertakings headed by Planning Commission member Mr. M.S. Pathak has recommended a new procedure for the selection of top managers for these undertakings. The committee wants the

esent procedure to be scrap-d. The new procedure is der the active considera-n of the government and a cision is expected soon. The mmittee has proposed that e chief executives of public ctor undertakings should be lected by a high level com-ittee consisting of one or o top managers from the ivate or public sector, one anagement expert from an ademic institution and a nior government official miliar with policy making. ne high level committee's re-ommendation should then go the minister concerned and r approval to the Appoint-ents Committee of the ca-net. The action committee so feels that the persons to place any head of public ctor undertaking should be lected at least three months advance. It has recom-ended that full and part me directors of public sec-r enterprises should be ap-inted by a committee com-ising the chairman of the ncerned enterprise, a repre-ntative of the high level mmittee and an outside ex-rt in a particular field. The commendations of this com-ittee should go to the minis-r in charge of the undertak-g. In regard to the ap-intments of general mana-ers and senior executives un-er him, the action commit-e has proposed that the ard of directors of the en-rprise should have full po-ers. The board should ap-int a selection committee eaded by the chairman of ne enterprise consisting of ne or more board mem-ers, a nominee of the high vel committee and an ex-ert. These appointments need ot be referred to the Minis-r.

Pay Scales in Nationalised Banks

Mr V.R. Pillai has assumed harge as chairman of the mmittee which has been t up for standardisation of ay scales and allowances of fficers, other than award aff, in the 14 nationalised anks. Other members of the ommittee are: Mr K.P.J. Prabhu, Mr S.M. Joshi, Mr J.M. Lalvani and Mr R. Rajamani, who is Member-Secretary. The committee will recommend the principles that should govern the structure of pay scales of officers of nationalised banks and changes that might be necessary to bring about standardisation. It will also look into the allowances, amenities, facilities or benefits in kind for the various grades of officers. Its terms of reference include the age of superannuation and the nature and quantum of terminal benefits for the officer cadres and the principles that should govern the question of transferability of senior staff amongst the various nationalised banks. The committee will submit its report within 12 months.

Tobacco Excise Tariff Committee

The union government has decided to extend the tenure of the Tobacco Excise Tariff (Expert) Committee upto December 31, 1973. Originally the committee was to submit its report to the ministry of Finance by middle of July 1973. The three-member committee was set up last January to make a comprehensive review of the excise tariff on tobacco. The objective is to have a judicious and rational tariff structure which can be administered effectively, efficiently and economically through simplified practical procedures. The commitee is headed by Mr B. Sivaraman, former Cabinet Secretary.

Improved Marut and Gnat

The Hindustan Aeronautics Limited is to further develop the HF-24, popularly known as Marut, as well as the Gnat. This information was given to the Consultative Committee for the ministry of Defence by the minister of Defence Production, Mr Vidya Charan Shukla. He said that Marut, which is a supersonic jet fighter and ground attack aircraft, designed and developed by HAL, would incorporate a modification of the Orpheus 703 engine, developed indigenously, for its improved version. He stated that HAL had reached a production of Rs 80 crores during 1972-73. This represented an increase of Rs 10 crores over the previous year's production. HAL had earned an estimated profit of Rs 4.19 crores after adjustment of arrears of ex-gratia bonus of Rs 65 lakhs relating to 1971-72 and after making provision for the payment of ex-gratia bonus at the rate of 8 1|3 per cent for 1972-73. For the firt time in 1971-72, HAL had paid a dividend of over Rs one crore at the rate of 2 per cent on share capital to the central government out of its profits. Dividend at the same rate had been paid for the year ended March 31, 1972. The minister of Defence Production said that HAL had initiated the production of Basant, an agricultural aircraft, designed and developed by HAL engineers. The production of the light-weight multi-role helicopter Cheetah and of the improved version of MIG aircraft had commenced in 1972-73.

UK Bank Rate

The Bank of England raised its basic lending rate to a record 11.5 per cent on July 27, in a determined bid to halt the slump of the sterling. The jump of 2.5 per cent followed a rise of 1.5 per cent recently. The aim was to drive interest rates here up to the high levels in Europe and attract investments to Britain. It was the outflow of such funds over past weeks that brought on the sterling crisis.

Air Agreement with Ethiopia

Air India and Ethiopian Airline have agreed recently to operate their scheduled flights on the India-Ethiopia sector in a commercial pool arrangements effective from November this year. At present the two airlines operate two jet flights each week between Addis Ababa and Bombay. They will now jointly promote the route so that they can divert round the world traffic to use Addi. Ababa as a stopover point in Africa.

Export Duty on Jute

The Indian Jute Mills Association (IJMA) has expressed strongly that unless export duties are completely abolished the condition of industry may deteriorate further. A spokesman of the industry pointed out in Calcutta recently that in addition to directly pushing up the prices, export duties impeded the normal working of the industry's commercial transactions. This gave an edge to the synthetics manufacturers in the world market over the Indian manufacturers.

Newsprint Import

The State Trading Corporation has placed orders for purchase during 1973-74 of 126,700 tonnes of newsprint which includes 5,700 tonnes from Czechoslovakia for which price negotiations are expected to be finalised shortly, Mr A.C. George, deputy Commerce minister, stated recently. He added that the corporation was also expected to get additional supplies of 33,000 tonnes for which the contracts were in the process of being finalised.

Export of Barbed Wire

For the first time this country is exporting barbed wire to the SUA and Canada. Messrs Chaliha Rolling Mills Private Limited recently secured a trial order for 500 tons of barbed wire from Messhs. Raunaq International Incorporated, Los Angeles, USA. The value of the order is approximately $128,000 Besides barbed wire, Raunaq International has also placed a token order for 2000 coils of barbless barbed wire (stranded wire as it is some-times known in India) valued at $12,000 with the firm.

Executive Development Programme

Mr B.K. Vora, Dy. General Manager, Punjab National Bank, inaugurated the Executive Development Program

me on Developing Foreign Exchange Business for Managers of Punjab National Bank at the Indian Institute of Foreign Trade (IIFT). The strategy of developing foreign exchange business, according to Mr Vora, consisted of three approaches: commodity development approach, area development approach and market development approach. Commodity development approach called for induction of commodities, not yet exported in foreign markets. Area development approach stood for orienting certain areas, yet domestically oriented, to foreign markets. And marketing development approach required identifying, nursing and expanding possible markets abroad.

Prof K.N. Mehrotra of IIFT welcomed the participants to the Programme. He emphasised that it was for the first time that the IIFT was organising such a programme for the Managers of the Punjab National Bank. Now that self-reliance was more crucial to the nation than at any time since Independence. The Punjab National Bank's initiative in orienting its officers to the export needs of the country was highly commendable, he said. In the current Executive Development Programme, the major emphasis, according to Prof. Mehrotra, was on the development aspect rather than the mechanics or the procedural aspect of foreign exchange business.

Expansion of Standard Alkali Chemicals

Indigenous technological skill and equipment have accomplished a complicated task at Standard Alkali Chemicals, Thana. The caustic soda plant of the company has stepped up its production capacity. Siemens India were engaged by Standard Alkali Chemicals to design, install and commission the expansion.

Name in the News

Mr R.K. Seshadri, took over as deputy governor of Reserve Bank of India recently. Mr Seshadri joined the Reserve Bank as an executive director in June 1966 after serving as Deputy Secretary and Director, union ministry of Finance. Before joining the union government he was the senior Assistant Editor of *Eastern Economist*.

The United Bank of India will have a new Chairman and Managing Director from the beginning of next month, **Mr M. Sen Sarma** who will succeed Mr B.K. Dutt, Mr Sen Sarma's appointment is for three years.

Mr T.A. Pai, minister for Heavy Industry, was directed by the President to hold temporarily the additional charge of the ministry of Steel and Mines.

CHAIRMAN'S SPEECH

THE INDO-BURMA PETROLEUM COMPANY LIMITED

Speech delivered by Mr. Kamaljit Singh, Chairman, The Indo-Burma Petroleum Company Limited, at the 65th Annual General Meeting of the Company held on 30th July '73.

Mr. Kamaljit Singh
Chairman

Ladies and Gentlemen,

I am happy to welcome you to this meeting today. The Directors' Report, balance sheet and profit and loss account for the year ended 31st December 1972 were sent to you, and with your permission, I take them as read.

The majority share-holding in your Company was acquired from the Indian Oil Corporation by the President of India in September 1972. Thus your Company ceased to be a subsidiary of the Indian Oil Corporation and is now a separate enterprise under the Ministry of Petroleum & Chemicals. However, our close association with Indian Oil Corporation regarding supply of petroleum products continues.

This is a suitable opportunity to assess the overall progress of your Company during the last three years, since it became a Government Company. There has been a large increase in the number of retail selling points from 240 at the end of 1969 to 440 at the end of 1972. During 1972 a record number of 96 new outlets were put up. Total capital expenditure of Rs 83.87 lacs was incurred during the last three years, enabling us to more than double the sales of the Company from 203586 metric tonnes in 1969 to 456849 metric tonnes in 1972. That this growth has been achieved by good management is indicated by the rate of return after tax on capital employed having gone up from 6.20% in 1969 to 21.10% in 1972. This has enabled augmenting of Company's reserves by 70 lakhs during this three year period, followed by your Directors recommending issue of Bonus shares in ratio of 9 shares for every 10 shares held. Thus our hope of an "era full of opportunities" expressed in 1970 has been fully borne out.

The growth in sales during the first half of 1973 has been about 13% a lower rate than previous years, due to shortages of some petroleum products. However, the profitability growth is being well maintained and the first half year's figures show a good improvement over the same period last year.

I am also glad to inform you that your Company's subsidiary, Balmer Lawrie & Co. Ltd., turned the corner in 1972 and made a profit of Rs 19.46 lakhs against a loss of Rs 20.58 lakhs in 1971. Consequently, the Directors of Balmer Lawrie have recommended a dividend of 7% for 1972.

There is still no hope of any return in the near future on our investments in the Shama Forge Co. Ltd. and Assam Sillimanite Ltd. I.C.I.-C.I. maintained a dividend of 10%.

I am glad to inform you that your Company has received Rs 9.60 lakhs as ex-gratia relief from the Government of India in respect of Company's assets in Bangladesh.

Your Company has been considering some diversification plans, and has applied for a licence for the manufacture of synthetic detergents. We hope to receive Government's decision in a few months.

On your behalf and on my own, I would like to thank all your employees and the dealers for their sustained efforts to improve the working of your Company. I would also like to thank my colleagues on the Board of Directors for their kind assistance and co-operation.

N.B.: This does not purport to be a record of the Proceedings of the Annual General Meeting.

COMPANY AFFAIRS

ISCO

LTHOUGH THE Tata Iron and teel Company's scheme for rge scale expansion of the eel-making capacity at Jamhedpur is still at an explaatory stage a positive initial ep has already been taken in rranging with the approval of ne government, for a feasibity study by, Nippon Steel, the eading manufacturers of steel 1 Japan. It will submit the eport and recommendations n the expansion of about two nillion tonnes of flat rolled roducts after seven months. The cost of the project will be unning into several crores of upees. In view of the great mportance of the project the nanagement has assured the government of its full cooperaion. At the same time the nanagement is taking all steps so as to safeguard the legitimate interests of its shareholders. This is revealed in the Chairman, Mr J.R.D. Tata's statement circulated to the shareholders of the company.

The survival of the company, as a viable and prosperous unit, according to the chairman, will depend on three major factors namely on the Jamshedpur plant being expanded; on its continuing to be run efficiently and as near rated capacity as practicable and on steel prices being fixed at a level which will enable efficiently run plants to finance the continuous and essential process of renovation and modernisation in addition to providing their owners with a fair return.

On the question of steel prices Mr Tata felt that the industry should be allowed to earn sufficient resources over and above depreciation to plough back into replacements and modernisation after paying a resonable dividend to the shareholders. Unfortunately this has been far from being the case. The prices allowed to main producers during the past 25 years have been maintained at levels far below world prices, denying adequate provisions for depreciation, let alone the opportunity for any ploughback. On the other hand, the present unsound price policy has not helped the consumer too for the government has imposed increasingly heavy excise duties which on an average works out to Rs 335 per tonne representing on the average about 45 per cent of the prices allowed to the producers and extract Rs 160 crores a year from the consumer.

On the production front the company achieved substantial progress in improving the quality and uniformity of raw materials and in the replacement of coke ovens and other equipment although the management could not surmount all the obstacles to higher production of steel which in fact was, last year, the lowest since 1961-62. The situation took serious turn for the worse after the close of the year with the shortages of power, coal, rail transport affecting production. Interruptions in the supply of DVC power became so serious in May and June that on some days production fell to a fraction of the capacity. The situation has somewhat improved since then but even if power, coal and rail transport were to fully available for the rest of the year, which is doubtful, the current year's production will once again be below expectation.

Colour-Chem

The directors of Colour-Chem have proposed to issue, subject to the consent of the Controller of Capital Issues, bonus shares in the ratio of one share for every two shares held by capitalising a sum of Rs 137.50 lakhs out of the company's reserves. Besides the directors have decided to maintain the equity dividend at 12 per cent for March 31, 1973. It may be recalled that the company's earlier proposal to issue four-for-eleven bonus shares was turned down by the Controller of capital issues. The company's Rs 100 fully paid-up equity shares are currently quoted around Rs 342.50. During the year the company's sales soared by about 33 per cent from Rs 11.15 crores to Rs 14.81 crores while gross profit spurted by more than 30 per cent to Rs 2.37 crores from Rs 1.82 crores in 1971-72. The directors have enhanced the allocations to all the reserves. The appropriation to depreciation reserve was stepped up from Rs 56.74 lakhs to Rs 69.14 lakhs, to development rebate reserve from Rs 7.25 lakhs to Rs 9.75 lakhs and taxation reserve from Rs 43.50 lakhs to Rs 72.20 lakhs. The net profit after these allotments amounted to Rs 85.63 lakhs which was appreciably higher than the preceding year by as much as Rs 11.46 lakhs. The entire net profit has been transferred to the general reserve out of which the proposed dividend amounting Rs 33 lakhs—the same as in 1971-72—will be paid.

Garware Nylons

Despite a substantial increase in sales Garware Nylons has earned a lower gross profit of Rs 1.49 crores during the year ended March 31, 1973 as compared to Rs 1.90 crores in 1971-72. Even so the directors have recommended an equity dividend of 12 per cent for 1972-73 on an enlarged capital as against 11 per cent paid for 1971-72. During the year the company's gross sales recorded a sharp rise to Rs 7.39 crores from Rs 5.63 crores while net sales were substantially higher at Rs 4.90 crores as compared to Rs 3.93 crores in 1971-72. The setback in performance is attributed to an all round increase in the cost of production and the reduction in selling prices of nylon yarn. The company's new nylon yarn plant is working satisfactorily. The supply position of caprolactum, the main raw material, continues to be a disturbing factor. The company has received an industrial licence for the manufacture of 330 tonnes of nylon chips for plastics industry. The plant has already gone into production. After considerable efforts the company now has been able to develop indigenous know how for the manufacture of polyester chips which will result in the saving of substantial amount of foreign exchange.

South India Viscose

South India Viscose has reported satisfactory progress in the implementation of its expansion programmes. As far as the staple fibre project is concerned, the machinery and equipment supplied by Messrs Gwalior Rayons are now under erection and it is expected that the expanded capacity will be put into commercial operation by the end of this year as scheduled. As for the setting up of polynosic fibre plant with a capacity of 20 tons a day and expansion of pulp plant from 60 tons to 120 tons a day, letters of intent have already been received and applications for import licences have been submitted to the government. The cost of the expansion will be met entirely out of internal resources and to some extent by borrowings from financial institutions.

Polysteels

Polysteels India Ltd has entered into an agreement with the Haryana State Industria

Development Corporation for the setting up a mini steel plant. The plant will have an initial capacity of 50,000 tonnes per annum and will be located at Hissar, a backward area. The plant will produce special and alloy steel in addition to mild steel ingots and billets and will be provided with continuous casting facilities. Subsequently, the capacity of the plant will be increased from 50,000 tonnes to one lakh tonnes. During the second phase of the project, the plant will be made an integrated one by providing a wire rod and a structural mill. The capital outlay on the project during the first phase has been estimated at Rs 3.50 crores. The plant is expected to go on stream by November 1974. The new company formed for this purpose is expected to enter the capital market in November next. Polysteels will provide complet technical know-how for the project and will, together with its associates, subscribe for 25 per cent of the paid-up capital and HSIDC will subscribe for 26 per cent and the remaining 49 per cent will be offered to the public for subscription. The project is expected to serve as a catalyst for the industrial development of Hissar district.

United Commercial Bank

The year 1972 was a year of creditable achievements for United Commercial Bank, with deposits advances, investments, and profits outstripping the previous year's impressive performance by a handsome margin. There was a gratifying increase in deposits in India and abroad. Deposits and other accounts in India at Rs 391.72 crores showed a smart rise of Rs 75.11 crores as against an increase of Rs 41.63 crores in 1971. Percentage wise the increase in 1972 was 23.7 as against 15.1 in 1971. The number of deposit accounts in India went up to 14,32,550, an increase of 1,91,550 as against an increase of 1,81,000 in the previous year. The contribution of rural and semi-urban branches to the rise in deposits was indeed significant their share being of the order of Rs 24.47 crores as compared to Rs 19.07 crores in the preceding year. Further it is notable that the Eastern zone comprising the states of Assam, Bihar, Meghalaya, Orissa, Tripura, West Bengal accounted for a rise of Rs 29.37 crores as compared to an increase of Rs 19.88 crores in 1971. The deposits and other accounts outside India at Rs 26.11 crores registered an improvement of Rs 5.28 crores as against practically no increase in the previous year. The advance portfolio too showed a satisfactory, rise though the pace of expansion was not commensurate with the increase in deposits. The bank's advances and bills outstanding as on December 31, 1972 amounted to Rs 243.68 crores, on improvement of Rs 14.82 crores during the year as against an increase of Rs 11.71 crores during the preceding year. The advance in India, excluding advances for food procurement, went up appreciably during the year by Rs 26.47 crores as against a decline of Rs 3.19 crores during the year 1971. Advances for food procurement went down from Rs 23 crores at the end of 1971 to Rs 7 crores at the end of 1972. The average credit deposit ratio of the Bank in India during 1972 was 66.48 per cent as against 76.77 per cent during 1971. Of the increase of Rs 26.47 crores in advances in India, the branches in Eastern zone accounted for Rs 13.86 crores or 51.9 per cent of the total increase. Advances of foreign branches went up by Rs 4.35 crores as against a rise of Rs 5.28 crores in deposits. In keeping with the social objectives of banking the bank expanded and diversified its credit portfolio. Advances to priority and preferred sectors during the year rose by Rs 7.75 crores. This formed 29 per cent of the increase in advances of Rs 26.47 crores in India. It is significant to note that during the year 7,347 new accounts were brought on the books of the bank taking the total number of accounts to 60,089 at the end of 1972. While the overall limits sanctioned increased from Rs 84.92 crores to Rs 91.74 crores during the year, the availment figures showed an improvement of Rs 7.75 crores as against a drop of Rs 0.93 crore in 1971. In agricultural finance further progress was made during the year, The number of accounts swelled to 38,848 from 34,522 at the end of the previous year, so also the sanctioned limits to Rs 22.12 crores from Rs 20.93 crores in 1971. The Bank's record in extending credit to small scale industries including transport operators and in providing financial assistance to preferred sections of society such as small businessman, retail traders, professional and self employed persons and students for education, was equally encouraging. During 1972 although the bank had planned to open a large number of branches, it could open only 33 offices up to the end of 1972. Out of the 531 branches at the end of last year, 165 were in rural areas, 162 in semi-urban areas, 116 in urban areas and 88 in metropolitan centres. During the year the bank earned a profit of Rs 180.78 lakhs which was a shade higher than in the previous year. After transferring a sum of Rs 38.65 lakhs to Reserve fund and providing Rs 89.50 lakhs for bonus to staff, the balance of Rs 52.63 lakhs was transferred to central government.

Utkal Machinery

Utkal Machinery Limited (UTMAL) located at Kansbahal, Orissa which was founded in 1960 by Larsen & Toubro Limited in collaboration with three West German firms is now an L &T subsidiary, with L & T holding 60 per cent of the equity shares. Two of the original West German founders,Gutehoffnungshuette Sterkrade AG (GHH) and Herilrich Koppers GmbH have sold their shareholding to L & T. The third West German founder, J. M. Voith GmbH continues to hold 19 per cent of the shares. The balance is held by financial institutions. UTMAL manufactures sophisticated plant and equipment for the steel, paper and pulp and mining industries. It will continue to have access to the technical know-how of GHH, a world leader in iron and steel plant design and manufacture and Voith for paper and pulp machinery. After the early difficulties, caused partly by a very large expenditure in infrastructural facilities, and labour unrest, UTMAL has turned the corner. It is not only fabricating many engineering products which have never been made before in the Country, but is on the way to financial success. The turnover for 1971-72 at Rs 438 lakhs is the highest on record, and yielded a profit before depreciation of Rs 64 lakhs.

India Carbon

India Carbon proposes to operate its chemical division in Bombay under a new company styled Amines and Plasticizers Ltd., in order to secure a large public participation. If the proposal goes through, India Carbon will have in the new company an equity participation of 50 per cent. The shares will be offered to the public on completion of the procuedural formalities. The company has agreed to provide technical know-how and assistance to Goa Carbon Ltd in connection with its project for the manufacture of caclined petrolem coke at Goa. This is expected to yield a substantial profit to the company, Meanwhile, the government has permitted the company to manufacture different kinds of phthalate plasticizers.

Swissair

With immediate effect Swissair has introduced a Youth Fare between India and Switzerland. With the development of traffic as it is taking place in the entire world these days, these promotional fares are becoming an essential part of travel necessities of various categories of passengers. It is hoped that this Youth Fare will assist the travelling public in creating more interest for visiting Switzerland.

News and Notes

(*Expansion and Diversification*)

Hind Wire Industries, engaged in the manufacture of various types of wires and wire pro-

s, is embarking on an expansion programme. The company will now produce all types of high carbon wires such as ... wires, spring steel wire, lead wire, alloy steel wire, bearing wire, valve spring ..., heald and carding wire, ...o and musical wires etc. These types wires have wide industrial use and are in short supply. The expansion project is estimated to cost Rs 47.50 lakhs including Rs 3.60 lakhs for land and building, Rs 31.55 lakhs for plant and machinery and Rs 8.65 lakhs for working capital requirements. The company has already placed orders for additional plant and equipment and expects to complete installation by March ... so as to avail of the full benefit of development rebate. The company will soon be in the capital market for raising additional capital of Rs 22.50 lakhs in equty shares of Rs 10 each, to finance a part of the ... required for the implementation of the project.

New Issues

...ulon Fabrics will be entering the capital market shortly with a public issue of Rs 18 lakhs, all in equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing partly the company 's Rs 50.50 lakh project being set up at Bhavnagar, Gujarat, for processing and ...ning jute and jute cloth, transforming it into low priced-quality fashion fabrics for soft furnishing, garments, and several other consumer goods. The installed capacity of the plant will be 36 lakh metres per annum on one shift basis. The plant is expected to commence commercial production at the rated capacity by March ...4. All the raw materials are available indegenously and the machines have been designed and fabricated in the country. Initially all products will be exported for which the company has already received enquiries. Sales in 1974 are estimated at Rs 1.35 crores and pre-tax profit at Rs 24.18 lakhs. The management hopes to declare a maiden equity dividend of 12 per cent, for 1974.

Haryana Breweries, promoted by the Haryana State Industrial Development Corporation, is scheduled to enter the capital market on August 6 with a public issue of 330,750 equity shares of Rs 10 each and 22,500 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par. The company is setting a most modern brewery at Murthal in Sonepat District with an annual capacity of 50,000 hectolitres per annum. The process know-how has been supplied by Messrs Torcon India Pvt. Ltd. through their associates Torcons of Copenhagen, one of the world's leading consulting houses in the field of fermentation. The plant has been designed in such a way that its capacity could be doubled at a very nominal additional cost. As the demand for beer is increasing all over the country the company does not anticipate difficulty in marketing its product. The capital outlay on the project is estimated at Rs 1.80 crores. The brewery is expected to go into trial production by the end of the current year and commercial production in the first quarter of 1974.

Capital and Bonus Issues

Consent has been accorded to six companies to raise capital amounting to over Rs 3.26 crores.

The Ugar Sugar Works Ltd, Sangli, has been granted consent, valid for three months, for issue of bonus shares worth Rs 16,81,600.

Mohan Steel Ltd, Kanpur, has communicated to government of its proposal to issue capital under clause five of the Capital Issues (Exemption) Order 1969 to the value of Rs. 45 lakhs in the form of 4,50,000 equity shares of Rs 10 to raise finance for the project for setting up a steel mill in Unnao in UP.

Mukandgarh Investment Co. Ltd, Calcutta, has been given an acknowledgement, valid for 12 months, to their statement of proposals for issue of Rs 40 lakhs worth of equity shares to certain individuals companies with a view to improve the debt equity ratio.

Gayday Iron and Steel Co. Ltd, Calcutta, has been granted consent, valid for 12 months, for issue of equity shares worth Rs 35 lakhs in conversion of loan amount granted to the company in 1968.

National Machinery Manufacturers Ltd, Bombay, has been accorded consent, valid for 12 months to issue convertible bonds worth Rs one crore. The project for the manufacture of machinery for production of synthetic fibre.

Orient Abrasives Ltd, New Delhi, hasbeen given an acknowledgement of their statement of proposals for issue of capital of Rs 90 lakhs comprising Rs 70 lakhs in equity and Rs 20 lakhs in preference for the purpose of setting up a plant to manufacture brown and white aluminium oxide abrasive grains in Porbander (Gujarat).

Company Meetings

The General Electric Company of India Ltd. Registered Office, Magnet House, 6, Chittaranjan Avenue, Calcutta-700013; August 24; 10 A.M.

The Tata Iron and Steel Company Ltd: Birla Matushri Sabhagar, 19, Marine Lines, Bombay 400020; August 21; 4.30 P.M.

Interim Dividends

The Directors of Brooke Bond India Ltd have proposed an interim equity dividend of one rupee per share for the year ended June 30, 1973.

The central Board of Directors of the **State Bank of India** have decided to pay an interim dividend of Rs 10 per share for the year ending December 31, 1973. It will be payable to the shareholders who are registered in the books of the Bank as on August, 13, 1973.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Equity dividend declared for: Previous year
Higher Dividend			
Amalgamated Electricity Co.	March 31, 1973	14.0	12.0
Surat Electricity Company	March 31, 1973	12.5	12.0
Western India Plywoods	March 31, 1973	17.0	16.0
International Tractor Co. of India.	March 31, 1973	12.5	10.0
Same Dividend			
Ramon and Demm	March 31, 1973	10.0	10.0
Cochin Malabar Estates	February 28, 1973	18.0	18.0
Kailas Rubber	February 28, 1973	15.0	15.0
Pennisular Plantations	February 28, 1973	8.0	8.0
Tata Yodogawa	March 31, 1973	6.0	6.0
Deepak Insulated Cable	March 31, 1973	10.0	10.0
Mysore Stoneware	March 31, 1973	13.0	13.0
Reduced Dividend			
Emerald Valley	March 31, 1973	Nil.	6.0
Rameshwara Jute Mills	March 31, 1973	Nil.	5.0
Mysore Lamp Works.	December 31, 1972	10.0	12.5

SOUTH INDIA VISCOSE LIMITED

COIMBATORE.

Sri G. K. Devarajulu's Review

Speech of the Chairman, Sri G. K. Devarajulu, delivered at the 15th Annual General Meeting of the Shareholders held on Friday the 29th June, 1973 at 4-00 p.m. at the Registered Office of the Company, 'Shanmuga Manram', Race Course, Coimbatore-18.

Ladies and Gentlemen,

It gives me great pleasure to extend to you a hearty welcome to the 15th Annual General Meeting of the Company.

The report of the Directors, the Audited Balance Sheet and Profit and Loss Account for the year 1972 have been in your hands for sometime and with your permission I take them as read.

Sri G. K. Devarajulu

Before I proceed to outline the activities and prospects of our Company, I will deal in brief with the political and economic trends prevailing in the country at present.

Twentyfive years after our Independence and more than twenty years since the country commenced planned development, it is amazing how utterly dependent we still are on the vagaries of the monsoon. The past year with its scanty rainfall after several years of plenty has been marked by acute scarcity conditions, a steep rise in prices especially of food articles and an unprecedented shortage of power in all but a few States of India. All hopes, even in Government circles, centre on the forthcoming rainy season bringing relief to a parched nation.

At a time when inflation has reached galloping proportions, every effort is needed to create conditions in which production can increase at the fastest possible rate and existing capacities are utilised to the full; some of the Government's recent policies, tinged with ideology and difficult to justify on practical and economic considerations, have left the business community aghast, dazed and uncertain about their future. It is desirable that the Government by the various policies and administrative actions should infuse confidence in the minds of industrialists, so that they can concentrate on expansion and increased production without any let or hindrance

The 1973-74 Budget:

As expected, the Finance Minister has administered another massive dose of additional taxation, mostly indirect. The choice of some of the products for extra levies, such as steel, is unfortunate as a stiff rise in the price of basic commodities is bound to cause a chain reaction and push up costs all round, thus accentuating the prevailing inflationary conditions. The finance bill has given no relief from the stiff rates of personal and corporate taxes and hardly any worthwhile incentive has been given to increase savings and investment which the Finance Minister has included in his list of priorities.

Due to uncertain conditions in the political and economic fields, the production in general has remained stagnant, the prices of essential commodities continued to rise while the wage bill for the organised labour has swelled up without any corresponding increase in productivity resulting consequently in inflationary trends and skyrocketting prices. Scarcity conditions have been the order of the day. There is an acute shortage of foodgrain, water, power and raw materials for industry. The severe power shortage as experienced by the country at present is not expected to improve in the near future. The only silver lining in the otherwise dark horizon is that the Government have become fully aware of this situation and are doing everything possible to alleviate the sufferings due to the power shortage.

The unemployment problem has been getting out of hand despite 23 years of planning. The question of more employment opportunities and its development have been examined a number of times by the Planning Commission and other agencies, but no coherent policy has emerged so far. It is hoped that the situation will ease in the near future with the setting up of more industries and the Government launching large scale projects and schemes.

Review on The Working of The Company:

Coming to the affairs of the Company, I would like to touch the salient points only, as you would already have gone through the report of the Board of Directors. The performance of the Company during the year has been satisfactory despite the 40 days closure due to strike during November and December 1972. The sales turnover has come down to Rs 12.13 crores as against Rs 13.63 crores for the year 1971. However, the profit has remained more or less same at Rs 2.85 crores as against Rs 2.89 crores for 1971 after providing Rs 1.54 crores (Rs 1.59 crores for 1971) for depreciation. After adjusting a sum of Rs 2 lakhs towards donation, Rs 16 lakhs towards balance of bonus and ex-gratia for 1971 and transfering Rs 175 lakhs towards Development Rebate Reserve, Rs 5 lakhs towards gratuity reserve. Rs 25 lakhs towards contingency reserve and Rs 5 lakhs towards provision for taxes, the balance of Rs 57 lakhs has been transferred to General Reserve. Your Directors are pleased to recommend a dividend of 20% (as against 16% for the previous year) on the equity shares, absorbing Rs 98 lakhs and this will be paid out of the General Reserve. A sum of Rs 42 lakhs is still to be provided towards Development Rebate and I hope with continued satisfactory working it would be possible to provide this sum during the current year. However, it is absolutely necessary for revising the prices of Rayon Yarn due to escalation of costs of raw materials, labour etc.

Raw Materials:

The production of the Company continued to be satisfactory, even though there was a shortage of raw materials, especially of Caustic Soda, the

c of which has reached a / high level and has be- ne scarce even at this high e, particularly on account power cut.

is indicated in the previ- year's report, the supply wood from Government ests was inadequate and to be supplemented with plies from private parties. therefore, continued our otiations unrelentingly with State Government for in- ased allotments of pulp od, the basic raw material our factory. I am happy report, that the State Gov- ment have issued a Gov- ment Order on 12th June 3 for entering into a fresh eement for the supply of reased quantities of pulp od from forest areas for a ther period of ten years ef- tive from 1st April 1973. e contract to this effect is der preparation and will be lised in due course. Arran- nents have been made at Collaborator's works in ly to check the suitability other types of wood obtain- le in the State forests name- Eucalyptus Grandies and calyptus Hybridus for meet- the increased requirements pulp wood, when our ex- nsion is put into operation. e tests carried out by our llaborators on Eucalyptus randis and Eucalyptus Hyb- lus have been encouraging d the adequacy of wood for r expansion will not be oblematic.

In the year under review, e power cut had increased om 25% to 40% and in the rrent year it has gone upto 5%. The entire Staple Fibre ant and a part of the Rayon lant had to be shut down in ew of the power cut from ebruary 1973. The Pulp Plant nd a part of the Rayon Plant ere however kept at full pro- uction with the curtailed po- er supply from the grid and ith the power generated from e Turbo Generator installed our factory. But due to the itical water supply position addition to the power cut. hich was increased to 75%, e entire factory had to be ut down from May 1973. Vith some improvement in water position in the river. The Pulp Plant had, however, been restarted from 20th May 1973 (full out-put) and Rayon Plant from 24th May 1973 (part out-put).

Expansion:

Regarding the expansion of the Staple Fibre Plant, the work is proceeding apace satisfactorily. The civil works are in an advanced stage of progress and the machinery and equipment supplied by M/s. Gwalior Rayons are now under erection by the Birla Consultants. It is expected that the expansion will be put into commercial operation by the end of this year as per schedule.

As for the setting up of Polynosic Fibre Plant with a capacity of 20 tons a day and expansion of Pulp Plant from 60 tons to 120 tons a day, letters of intent have already been received and applications for Import licences have been submitted to the Government and are under active consireration. It is understood that necessary licences will be issued in the course of this year. The entire expansion projects will be financed from out of internal resources and borrowings from financial institutions only.

Labour Relations:

The relations with the labour continued to be cordial in spite of the Stay-in-strike by the workers for a period of 40 days from 30-10-72 to 8-12-72 on the question of bonus. This was settled amicably.

It is our earnest desire to provide most modern living conditions to our employees of all classes and for this purpose we have spent Rs 17 lakhs so far for the construction of quarters. We are also advancing loans to workers for construction of their own houses.

As you are already aware we have introduced in collaboration with the L.I.C. One Year Renewable Group Term Insurance Scheme for the benefit of our employees with the premium fully borne by the Company. This is being continued this year also.

Conclusion:

In general the performance of the Company for the year under review is satisfactory as you can see from the report of the Board of Directors and Balance Sheet, in spite of the severe power cut and strike by the workers.

With the onset of the monsoon and relaxation of power cut, it is hoped that we will resume full production of pulp, rayon yarn and staple fibre as usual.

I am confident that all of you will join me in expressing our thanks to our collaborators in agreeing to assist us in fabricating the equipment for expansion projects indigenously.

I conclude by expressing on your behalf and on behalf of the Directors, my appreciation to the employees of all cadres for their devoted service to the Company's progress.

(Note: This does not purport to be a record of the proceedings of the Annual General Meeting).

MUKAND IRON & STEEL WORKS LIMITED

Statement of the Chairman, Shri VIREN J. SHAH

Following are excerpts from the Statement of Mr. Viren J. Shah, Chairman of Mukand Iron & Steel works Ltd., to the Shareholders while presenting the Balance Sheet for the year 1972-73.

A Tribute to the Departed

Your Company has sustained a grievous loss a few days ago in the passing away of Mr. Abid Ali Jaferbhai, a true patriot and a dedicated public servant. Starting as a mill worker at a young age he participated actively in the trade union movement. He was jailed on twelve separate occasions by the British for the role he played in the freedom struggle.

In both, labour movement and politics, he rose to the top. He was President of the Indian National Trade Union Congress and was awarded also the signal honour of the Presidentship of the International Confederation of Free Trade Unions. He was elected a member of the Governing Body of the International Labour Organisation. In the political sphere he became Deputy Minister of Labour in the Government of India. He had qualities which are becoming rare in the public life today. Mr Abid Ali lived a simple life, had courage of his convictions, would stand up for what he believed to be right regardless of consequences and above all he was a staunch nationalist.

The tragic death of Mr Mohan Kumaramangalam has deprived the country of the valuable services of one of its illustrious sons. Even before he joined the Government of India as Minister of Steel and Mines, a little more than two years ago, he had made his mark as a brilliant lawyer and a keen trade union leader. As a Cabinet Minister, he showed extraordinary dynamism and courage in his attempts to rehabilitate the public sector steel plants and the entire coal industry.

It is tragic that before he could witness the success of his efforts, a cruel fate had snatched him from our midst. For, whether one agreed with his policies and outlook or not, there was nothing that he touched that he did not adorn and transform. I was particularly struck by the charm of his personality, his friendly extrovert disposition, his sharp intellect and his keen thirst for knowledge.

Mukand's concern for Famine as a Social Calamity

In my statement to you last year, I had occasion to make a passing reference to the consciousness of our "responsibility towards the society at large." Just, as, no person is an island upto himself, a company and its functioning units cannot operate in isolation. We are part of the total social milieu and we have to recognise our obligations, not only to our shareholders, our workers, our consumers and to our Government, but also to the community in the midst of which we are located, in which we operate, from which we draw our workers and above all our sustenance and the resources for our growth. We have to be sensitive to the fluctuations of fortune that affect this society, to rejoice in its joys, to grieve in its sorrows; additionally to endeavour to remove meaningfully the cause of such sorrows.

With some pardonable pride, I can say, that our company has been particularly sensitive in this behalf. Over the last few years, the Company has responded to every genuine call which has been made on its resources. The last of such responses could not be included in the report in your hands for the year ending 31st March, 1973 as it was just a few days ago. It was from a body called "Maharashtra Association for Relief & Eradication of Famines" which works under the aegis of the Servants of India Society, headed by Prof. Dandekar of Gokhale Institute of Politics and Economics, Poona.

For since we last met, what we were then hoping to be a remote possibility has now taken the shape of a stark and fearful reality. Drought and famine in all their dreaded facets of hunger, distress and disease stalk the countryside. Consequently, cries of distress emanate today all over—not only from agriculture but also from industry, power, transport; in fact from every imaginable sphere of activity.

Sunshine is India's only reliable natural endowment

In the first place let us acknowledge that notwithstanding all the inspired propaganda to arouse political support and election enthusiasm, we are not a country richly endowed by nature except for sunshine which of course is indispensable for plant growth. Instead we have to carry an unbearable burden of a super abundant mass of human beings whose number [illegible] increasing. The measures taken to curb this growth have proved far too feeble to produce any impact on the problem, except for the statistician. This ever increasing liability becomes even more intolerable in times of drought.

The elusive monsoon

As for water, the most indispensable input for plant germination and growth, our life line is the rainfall brought in by the moist South West monsoon currents. The distribution of this rainfall however are extremely [illegible] resulting in deluges on [illegible] areas and droughts in o[illegible] In Maharashtra while [illegible] kan is flooded in the mon[illegible] most of the water flows [illegible] to the Arabian Sea. Ra[illegible] then decreases [illegible] wards the East of the Sa[illegible] ri range in the immediate [illegible] side of which there are [illegible] dry areas of the Deccan [illegible] teau. Ahmednagar and S[illegible] pur districts, the Ea[illegible] parts of Poona division [illegible] the Western areas of Au[illegible] gabad division down to [illegible] Kolhapur in the South a[illegible] part of this rain shadow [illegible] and receive poor rainfall.

Of equal importance [illegible] the quantum of rainfall [illegible] its dependability is its di[illegible] bution. For healthy gro[illegible] the plant must have mois[illegible] at particular stages of its [illegible] velopment in requisite [illegible] tities. Long dry spells, [illegible] if interspersed by occasi[illegible] deluges, will result in tota[illegible] partial failure of crops. If [illegible] total rainfall is heavier [illegible] normal and steps have [illegible] taken towards conservation [illegible] water, either on [illegible] or underground, the distress ca[illegible] by its shortage may be re[illegible] [illegible]

If kharif crops have fai[illegible] at least Rabi crops can [illegible] grown, although the [illegible] grown will differ. An a[illegible] tional factor which handi[illegible] the dry areas in Maharas[illegible] is this poor distribution [illegible] rainfall. By and large, [illegible] lower the quantum of rai[illegible] in an area as in the De[illegible] Plateau the more [illegible] the effect of poor [illegible] as little margin is left fo[illegible] [illegible] absorption [illegible] deviations.

Soil

The third main factor

...ng the crops, namely soils, has been adequately re-...ed on. The nature of the ... light or heavy, its chemi-... composition, physical pro-...es, ability to retain mois-... all these are well known ...rs determining what pro-...s can be grown where, and ... plentiful their yield could ... In fact, "soil climate ...plex" enables even the il-...ate Indian farmer to de-...ine fairly accurately the ...ce of crops, the seasons ...row them, expected yields ... roughly the measures in-...ted to improve such yields. ...ssuming all the three prin-...e relevant factors, namely ...hine, moisture and soil are ...ent in reasonable, if not ...ndant proportions, agricul-... in Maharashtra should ...e a thriving business and ... should be abundantly ...lable. What is it then that ...es famines? It is usually ...failure of the most essen-... element, namely moisture. ... this, the major part of ... State is dependent on rain-... and it is this element ...ch we have not been able ...ontrol.

... the absence of moisture ... such rainfall, we have ...alternative but to provide ...er from other sources ...chever available. This is ...re irrigation comes in.

...ss inadequacy of irriga-...on in Maharashtra

...ut this is also where our ...re lies. We have not ...e irrigation provision ex-... on a casual pattern. It is ...edible that a large part of ... dry Deccan Plateau is not ...ed by any irrigation works ...all. When it is recalled ... starting from the earliest ...s of Indian civilisation (ac-...ling to the Imperial Ga-...eer of 1908), and through ...ghul, Maratha and British ...s, reservoirs have been ...t as an insurance against ...ines, this current neglect is ...cusable. In the absence ...such provision in required ...ensions relative to the po-...ialities, we have exposed ...e areas and millions of ...ple living therein nakedly ...he cruel pranks which na-... plays on them.

...is true that today each of the river valleys on the Plateau has some sort of major irrigation system—storage reservoirs and canals—the Krishna, Bhima, Nira, Girna, Godavari and Gangapur to name a few in the Plateau area apart from those in Marathawada and Vidarbha. These latter, in any case have more reliable rainfall. But the question is with all this provision, have we done enough by way of providing irrigation to the dry areas? Let me answer this question by presenting some simple figures. The net irrigated area related to net sown areas in Maharashtra, according to the latest figures given by the Government of India, is 8.1 per cent in 1967-68. This is comparable with Punjab 58 per cent, Tamil Nadu 43, Jammu & Kashmir 41, U.P. 32, Haryana 32. Andhra and West Bengal 27, Kerala 19, Orissa 16, Rajasthan 12, Gujarat and Mysore 11 percent. Except for Madhya Pradesh at 6.4 per cent Maharashtra stands at the bottom of the list. You can see how far behind Maharashtra is, compared even with the so called backward States.

Result—low level of agriculture—poor food distribution

What is the net effect of denying the requisite quantum and kind of irrigation on Maharashtra's agricultural production? According to a study made by the Commerce Research Bureau on the basis of Central and State Government official figures, during the last 20 years production was adversely affected every other year by droughts (though floods also were the occasional cause). The annual compound rate of increase in agricultural production was only 2.5 per cent against the national average of 3.3 per cent during the period 1952-53 to 1970-71. Agricultural production actually declined by 2.0 per cent per annum "owing to unfavourable weather conditions" during the period 1964-65 to 1970-71. The peak level of production at the index no of 125 in 1960-61 (1956-57 base) went down to 82.2 in 1965-66 and after some ups and downs it could reach barely 100 in 1970-71, actually since 1968-69 when it reached 114.0 it has again been continuously on the decline.

If we consider food grain production alone in Maharashtra its annual compound growth rate during the 20 years did not exceesd 0.8 per cent ralatively to the 2.4 per cent annual growth rate of population. So actually. there was a per capita drop! Maharashtra's population increase in the decade 1961-72 was 27.5 per cent vis-a-vis India's 24.8 per cent.

Surface irrigation potential

The Barve Commission after a thorough investigation came to the conclusion that surface irrigation of all kinds. i.e. including Government and Private canals could provide irrigation to 10 million acres, out of the "ultimate cultivated area" of 50 million acres. To this, would be added the area enriched by percolation of the water flowing through the canals made available by lifting from wells designated as "lift-cum-flow irrigation", estimated at 1.5 million acres.

An additional 1.5 million acres would be irrigable by water saved at head works, due to the lining of the canals, at any rate until such time as the canals were actually lined to prevent seepage, (it occurs to me that polyethylene lining would make us independent of scarce bricks and cement.) The total area irrigated by surface water would thus come to 13.0 million acres. They recommended that the intensity of irrigation could and should be increased to 66 per cent so as to spread the benefit to a larger area. This they estimated would bring the total culturable command to about 20 million acres, i.e. 40 per cent of the ultimate cultivated area.

Ground water potential

Alternative avenues would then have to be explored to find irrigation for 30 million acres. Even in those days over 50 per cent of irrigated area was watered by wells which owe a lot to the Maharashtra Government Polic... Liberal Tagavi loans and ...sidies in the past. For this ... deserve our praise. The Bar... Commission suggested that a... possibe measures should b... taken to stop the run-off of the rain water by contour bunding, nala plugging, impounding water in percolaton tanks and taking whatever other measures which would enrich ground water resources to make the sinking of wells more fruitful in these areas.

Both potential neglected

The question now arises to what extent have the Maharashtra Government provided the surface and well irrigation which was recommended by the Brave Commission? The Government's attitude towards this problem is at best one of casual indifference. The surface irrigation schemes indicated by the Barve Commission and the urgency therefore seem to have been consigned to oblivion, while the river waters flow merrily through the dry and barren countryside of our Plateau on to our neighbouring States.

The question of providing major works on the Godavari, the Bhima and Krishna has been tied up in inter-state squabbles on the divisions of the waters between Maharashtra on the one hand and the surrounding states of Andhra and Mysore on the other. The Jayakwadi scheme under construction which again is subjected to indefinite delays due to the ever present shortage of cement is an exception! We heard with a sigh of relief just a few days ago that the Krishna (including Bhima) Tribunal will give its award in October. We have no news however with regard to the Godavari Tribunal. Let us hope the urgency of the issue is agitating it as deeply as it does the affected people.

Practically every river valley scheme in India is thus bein bogged down for years—even decades. There is no reason why such schemes involving interstate rivers should not be taken out of the purview of individual states and taken up for immediate exe-

cution and operation by the centre.

Digging the well when the house is already on fire

At a recent press conference in Nagpur the Chief Minister announced that he would do everything to increase the irrigation potential in the State by 35 per cent and that Rs 2,000 crores would be spent thereon in the next 10 years, of which Rs 750 crores would be spent during the fifth plan and Rs 1,200 crores in the sixth. He stated that 40,000 wells were in progress of which he expected 70 to 80 per cent to be successful. Further, that in almost all the villages in the State tube-wells would be drilled to provide water for drinking and domestic purposes. The question that arises is why the development of this well irrigation potential was not exploited during the last 10 years after the Pardasani and the Barve reports had made such strong recommendations in their favour? We seem to have conformed faithfully with the terms of the Gujarati adage which condemns "digging the well when the house in on fire".

Some suggestions

In a recent speech Mr. Datta Deshmukh, a keen student of Agricultural Economics and a member of the Barve Commission, has rightly pointed out that the dependence of irrigation on wells is actually increasing. In 1955-56 the ratio of canals to wells was 1:2.4 which in 1971-72 increased to 1:3. This probably is the result of absence of any increase in major irrigation works due to inter-state disputes so that wells provide the only scope for effecting any advance at all in the irrigated area. Mr. Deshmukh has reiterated the need for contour bunding, nalla plugging and percolation tanks so as to impound the maximum quantity of water as also to prevent soil erosion and enrich the underground water sources. He has pointed out that the Deccan Plateau riven by valleys is particularly well suited by nature for storage of water compared with the flat plains in the north. His recommendations for spraying the crops instead of flow irrigating them with a view to conserve water also needs to be tried out on a large scale so that adequate scientific evidence be available for it to be adopted all over.

For non-irrigable areas, promote dry-land agriculture

Even assuming we exploit all possible avenues to provide surface and lift irrigation and do not allow even drop of rainfall to be wasted, I cannot help having a lingering thought in the back of my mind that we shall have to contend with large areas on the plateau which will have to be left unprotected against the vagaries of the monsoon, either because they are not within reach of any surface irrigation works or because the subsoil water table is just not within reasonable access. Whereas surface irrigated areas will be in large stretches, the well irrigated ones by their very nature will be in bits and pieces with the intervening areas unprotected by irrigation, where they may not be able to raise even one crop every year. How shall we deal with them?

The most urgent action in this behalf should be an intense application of dry-land agriculture. If we had not been eased into a state of complacence by our "achievements" on the economic front, we would have given top priority to this subject. In Maharashtra dry-land agriculture and irrigation both are of vital importance and both have been sadly neglected due to our wonky sense of priorities.

Lessons to be learnt

(a) Famine policy should aim at prevention

We must learn some lessons from the present disastrous state of affairs. The Governments, Central and State, need to redefine their basic policies towards famines. Since the British days, when endless minutes were written by the Government of India on famine relief policy, their approach does not seem to have undergone any constructive change.

The policy is to provide relief by giving employment on famine prevention works after the calamity has already overtaken the area. It is true that several durable assets such as; railway lines, roads, reservoirs, tanks, dams and canal systems, have been constructed in the past by such relief works. But as is evident from the vast disproportion that exists today between the area irrigable on the Deccan Plateau and that actually under irrigation there has been no genuine wholehearted effort at protection against famines and their prevention. An irrigation and power generation works involving interstate rivers would have been executed, controlled and operated by the centre. It is not too late to do so even today.

(b) Store up every drop of water possible

Our school copy books of the old days talked of providing for a rainy day. We would have to change this maxim in India—to provide for a rainless day. In areas like the Plateau, the plans we are making for impounding water should not allow a drop to escape from over the top of the dam, or irrigation and percolation tanks. Even if the monsoon in a dry area fails one year, it should have at least drinking water for men and cattle from its own reserves.

(c) Provide alternative avenues of livlihood

So far famine relief is provided on the basis that agriculture is the only occupation for which provision can be made, no matter how precarious the area from the point of view of rainfall or alternative sources of irrigation. If the idea of dry-land agriculture catches on and also alternative occupations on organised basis such as animal husbandry are accepted for drought areas wherever a little water can be tapped, we would be giving a new orientation to the solution of the problem and be able to utilise to the best advantage whatever non-agricultural resources the area can provide such as unskilled or semi-skilled man power. Mahatma Gandhi's preoccupation with manual spinning would certainly have sprung from identical considerations.

(d) Food production not to be neglected

Yet another and most important lesson we have to learn is that no matter what other sectors of economy we develop we cannot afford to neglect agriculture, particularly growing of food. In Maharashtra the net domestic products from the primary sector at constant prices actually went down from 614 crores in 1960-61 to 600 crores in 1968-69. Thus it actually dropped by about 10 per cent. But you will appreciate that the gains arising from the latter three sectors would be concentrated only in the urban or semi-urban areas whereas the distress caused by droughts in the primary sector would penetrate to every nook and corner of the State and threaten the very life line of the populace by reason of deprivation of their food and water.

You may be interested to note as an aside, that notwithstanding the increase in the three latter sectors the per capita income in Maharashtra, arising from the net domestic product, at constant price has risen by the glorious figure of Rs 1.8 during the 8 years 1960-61 to 1968-69, from Rs 409.0 to Rs 410.8. So much for the success of our economic policies.

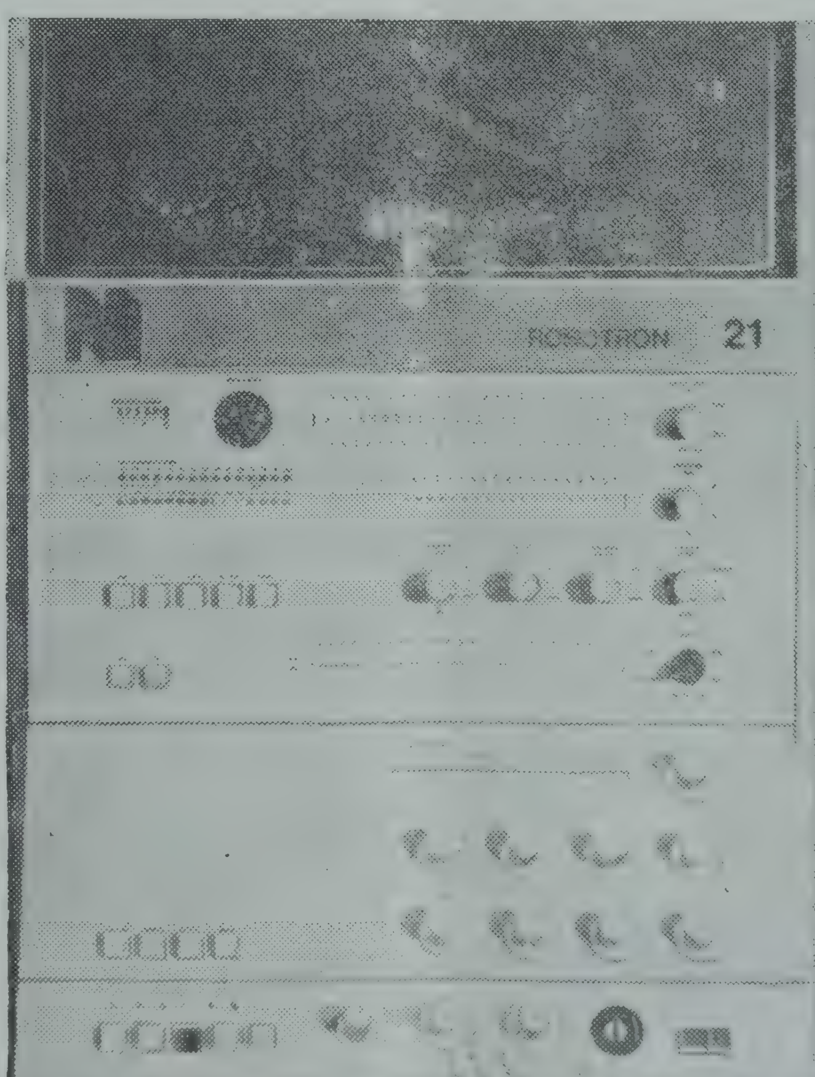
I have tried to present to you a few facets of the grim tragedy we are facing today. My purpose in doing so is not just to be critical of the policies we have been following to suggest how the dry Maharashtra plateau can be rendered relatively immune to the cruel vagaries of the monsoon. Some of these suggestions or similar ones may hold good for the entire core of the country which as I have pointed out, suffers from as precarious rainfall conditions as the Deccan plateau.

Let me end by assuring our

...ren affected by the present calamity that they have deepest sympathy of the ...ness community in their ...rings. May I also assure the Government, State and Central, that the business community feels deeply distressed and concerned particularly about the humane aspect of the situation. It has not been found, and will not be found wanting in co-operating fully with the authority, doing whatever is in its capacity, to alleviate the misery on the people.

Viren J.
Cha...

July 19, 1973.



RECORDS AND STATISTICS

India's foreign trade in 1972-73

AT THE eighth meeting of the Board of Trade held in the capital on July 17, 1973 the ministry of Commerce circulated a paper which reviewed India's foreign trade in 1972-73. Based on provisional data, it indicated that in the 11-month period ending in February, 1973, this country's exports totalled Rs 1,703 crores showing a rise of 20.8 per cent over exports in the corresponding period in the previous year. As against the targeted increase of seven per cent per annum envisaged in the fourth five-year Plan period, the record of exports was highly uneven. Starting with a rise of 4.2 per cent in 1969-70, it went up to 8.6 per cent in 1970-71 only to drop to 6.4 per cent in 1971-72. The fourth year of the Plan witnessed a sudden jump to more than 20 per cent in exports largely because of the commencement of trade with Bangladesh, establishment of new rates of exchange between world currencies and also as a reaction to the relatively subdued growth rate witnessed in 1971-72 which suffer from number of strains including the Indo-Pak hostilities. Given below is the full text of the official review:

India's exports made a notable advance during 1972-73. On the basis of provisional data, the ovrall exports (including re-exports) during the first eleven months ending February 1973 reached a total of Rs 1703 crores, showing an increase of Rs 293 crores or 20.8 per cent over the exports in the corresponding period of 1971-72.

Our exports over the first four years of the fourth five year Plan have continued to rise year to year though at uneven rates of growth varying from 4.2 per cent in 1969-70, 8.6 per cent 1970-71, 4.5 per cent in 1971-72 and to be high as 20.8 per cent during April, 72-Feb. 1971, against the target of 7 per cent rate of annual growth envisaged in the fourth Plan. This high rate of growth should not however full us into any false sense of complacency about the future trend of exports. Apart from favourable trading conditions in certain items in world trade, this significant increase in our exports may be accounted for by the general improvement in economic situation from the unusual strains of 1971-72 (year of Indo-Pak hostilities), commencement of trade with Bangladesh and the establishment of new sets of exchange rates between major world currencies during the earlier part of 1972-73.

Imports, on the other hand, at a total of Rs 1533 crores during the eleven months period April 1972-Feb. 1973, witnessed a fall of Rs 84 crores or about 5 per cent as comparred to the level of imports in the corresponding period of 1971-72. As a result of this impressive growth in exports accompanied by a decline in imports, the balance of trade position turned into a surplus of Rs 120.5 crores in India's favour during April-February '72 against a deficit of Rs 257.4 crores in the comparable period of 1971-72.

The trend of exports and imports for the last few years is indicated in Table I

(A) **Exports**

The commodity-wise details of exports which are available for the period April-December, 1972 showed a spectacular increase in the exports of items like leather & leather manufactures, cotton textiles and handicrafts. Out of the total increase of Rs 254 crores realised from India's exports during April-December 1972 (compared to April-December, '71) these three items together accounted for approx. 40 per cent of the total increase. Cereals and cereal preparations had also a considerale impact on the increase in exports due to substantial exports of foodgrains to Bangladesh. Leather and leather mfrs. (excl. footwear) increased by about Rs 51 crores, cotton textiles by Rs 34 crores and handicrafts by Rs 28 crores.

Items like tobacco, fish & fish preparations, oil cakes and castor oil were also marked by significant increases; the extent of increase being in the range of Rs 10 to 15 crores individually. The exports of engineering goods which suffered decline during 1971-72 recovered to Rs 104 crores during April-December, 1972 which were higher by about Rs 15 crores as compared to exports during April-Dec 1971. Similarly iron ore also recovered from the shortfall of last year by about Rs 8.5 crores.

The other items responsible for increase between Rs 5 to 6 crores have been cashew kernels, jute mfrs., chemicals and allied products. Increase in respect of items like tea, coffee, mineral fuels and lubricants ranged between Rs 3 to 4 crores.

In short, most of the items of traditional as well as non-traditional sectors participated in the growth of exports during April-December, 1972. In some cases, there were sizeable declines particularly in the exports of sugar and iron & steel due to internal shortage. Spices manganese ore also suffered decline.

The position of exports in respect of certain important items is briefly discussed below

Group A : Items Showing Increase

(1) *Leather and leather manufactures (exl. footwear)* As a result of favourable trading conditions in World Markets there was spurt in the export of this item. Exports during April-December 1972 at R

TABLE I

Overall Trade

(Rs crores)

	1969-70	1970-71	1971-72	April-February (Provisional) 1972-73	1971-72
Imports (cif)	1582.1	1634.2	1812.0	1582.8	1666.
Exports incl. re-exports (fob)	1413.3	1535.2	1006.6*	1703.3*	1409.
Banalce of Trade	—168.8	—99.0	—205.4	÷120.5	—257.

*Including Exports to Bangladesh.

crores were higher by Rs crores or 80 per cent as pared to exports during il-December 1971. This ease was reflected in the ex- s of all categories as evi- t from the Table II.

he demand particularly n ECM area was strong in ect of both EI tanned hides skins and chrome tanned. offtake by the East Euro- n countries was also at a h level.

s a result of comparatively ge exports, the leather in- try in the country began to e difficulties in matters of plies of raw materials. h a view to regulate the material supply position, exports of semi-processed es and skins were brought ler canalisation through C

ft in Policy

n pursuance of its policy a shift from exports of semi- cessed hides and skins to orts of finished leather and her manufactures the Go- nment by its recent announ- nent placed quantitative re- ctions on the exports of ni-processed hides & skins.

2) *Cotton textiles*: A subs- tial increase in exports of ton textiles during the year y be attributed mainly to: Comfortable supply posi- n of raw cotton at reason- e level of prices; (b) Cotton nversion Deal signed bet- en Russia and India; and (c) luntary export scheme adop- l by the industry since July, for exporting 15 per cent their production.

During April-December 1972 ports of cotton piecegoods illmade) increased by Rs .5 crores to Rs 59.8 crores d of cotton yarn by Rs 6.9 ores to Rs 17.1 crores as mpared with corresponding riod of 1971. Cotton apparel hich is becoming increasingly portant advanced from Rs l crores to Rs 19.9 crores. ost of the increase in the ex- rts of cotton piecegoods was iefly on account of Cotton onversion Deal with USSR. here was also an appreciable increase in the exports to UK as well as to USA. In the case of cotton apparel, the increase was largely on account of better demand from Sweden, USSR, USA and ECM countries viz., German Federal Republic and France. For the first time Bangladesh emerged as a buyer of Indian cotton textiles.

(3) *Jute manufactures*: Exports were doing well until the first half of 1972-73, but thereafter weakening trend started in the later part of the year on account of various factors including the revival of competition from Bangladesh, high price of jute goos and growing threat from synthetics. Exports during April-Dec. '72 amounted to Rs 4.48 lakh tonnes valued at Rs 192.7 crores as compared to 4.52 lakh tonnes valued at Rs 186.9 crores during April-December 1971. Carpet backing cloth was the worst sufferer, declining from 191.4 thousand tonnes valued at Rs 84.3 crores during April-December 1971 to 124.4 thousand tonncs valued at Rs 65.1 crores during April-December, 1973, mainly as a result of slpggish demand from US markets. Total exports of jute goods to USA during this period declined from a value of Rs 101.5 crores to Rs 77 crores. So also, there was a decline in the exports to Canada from Rs 14.6 crores to Rs 8.0 crores. The offtake by ECM countries was also at a reduced level. As against this, export to East European countries witnessed a significant increase from Rs 40 crores to Rs 48 crores, the increase being confined mainly to USSR where exports went up from Rs 27.8 crores to Rs 37 crores.

With a view to improve the competitive position of Indian carpet backing *vis-a-vis* synthetics, the export duty on primary carpet backing cloth (weighing 9oz and above per sq. yard) was reduced from Rs 700 to Rs 300 per tonne with effect from November 1, 1972. Despite this measure, exports of carpet backing continued to decline. In order to arrest this trend the export duty on primary carpet backing was further reduced by Govt. from Rs 300 to Rs 200 per tonne and in respect of secondary carpet backing from Rs 700 to Rs 300 per tonne with effect from June 12, 1973.

(4) *Handicrafts*: During the first nine months of 1972-73, India's exports of handicrafts reached a significant level of Rs 86.7 crores showing an increase of about Rs 28 crores or 47 per cent over the exports in the corresponding period of 1971-72. This increase was shared by both the categories *viz*. pearls, precious and semi-precious stones, as well as other handicrafts. In the case of pearls, precious & semi-precious stones the increase was by nearly Rs 18 crores (from Rs 37.2 crores to Rs 55 crores) while other handicrafts increased by about Rs 10 crores (from Rs 21.6 crores to Rs 31.7 crores). The main items showing increase i handicrafts include hand carpet and druggets, art of metals and woodwork.

The international market i gems and jewellery was mo buyoant during the year. Th demand for Indian products wa quite encouraging from th USA, Belgium, Hongkong Japan, and the UK etc. Added to this was more libera policy adopted in the matte of supply of raw material fo export production. Imports o raw materials (pearls, preciou and semi-precious stones) during April-Dec. '72 at Rs 3 crores were higher by Rs 1 crores compared to export during April-December.

(5) *Tobacco*: There was substantial rise in the export of this items both in terms o quantity as well as in value During April-December '72 ex ports wre higher at Rs 70.

TABLE II

Leather Exports : 1971-72

(Rs crores

Items	April-Dec 1972	April Dec 1971
Leather & leather mfrs. (excl footwear)	114.8	64.
E.I. tanned hides & skins	71.0	46.
Chrome tanned	30.3	14.
Finished leather	10.0	2.
Other manufactures of leather	3.5	0.

TABLE III

India's Imports : Broad Commodity Groups

(Rs crore

Commodity	1970-71	1971-72	April-Decembe	
			1972	1971
Cereal & cereal preparations	213.0	131.2	21.7	104.
Cotton	98.0	113.4	76.3	86.
Chemical elements & compounds	68.0	71.8	59.2	57.
Fortilizers manufactured	61.2	81.2	47.4	51.
Petroleum crude & petroleum products	185.9	194.1	140.3	143.
Iron and steel	147.0	237.6	156.9	178.
Non-ferrous metals	119.4	101.8	76.6	82.
Machinery	328.2	369.9	294.7	282.
Transport equipment	68.2	64.4	54.6	66.
Grand Total of Imports (incl. other items))	**1634.2**	**1812.0**	**1239.0**	**1363**

thousand tonnes valued at Rs 50.2 crores, against 48.6 thousand tonnes valued at Rs 35.0 crores in the corresponding period of 1971. The bulk of increase in exports was mainly on account of large off-take by USSR and Bangladesh. Exports to USSR increased from Rs 13.7 crores to Rs 25.8 crores and to Japan from Rs 3.9 crores to Rs 4.34 crores. Exports to Bangladesh which emerged as a new market, amounted to Rs 3·5 crores. On the other hand, exports to UK which is India's biggest market, declined from Rs 13.0 crores during April-Dec. 1971 to Rs 12.5 crores in April-December 1972.

(6) *Other Items*: The export performance in respect of other items like fish, cashew kernels and oilcakes was good both on account of larger quantum of exports as well as higher unit value realisation from these items. Exports of fish to USA increased from Rs 8 crores to 13.9 crores and to Japan from Rs 15.9 crores to Rs 20.6 crores. In the case of oilcakes, the offtake by East European countries registered a sharp increase from Rs 12.4 crores to Rs 22.1 crores. There was also an improvement in the exports to Japan and UK. The exports of castor oil which suffered a set-back in the previous year suddenly jumped up from a value of Rs 2.9 crores during April-December 1971 to Rs 13.8 crores during April-December 1972 due to strong demand from USSR, UK, and USA.

Growth Items Recover

The growth items like engineering goods, iron ore and chemicals and allied products which were marked by slackening tendency during 1971-72 were able to show some recovery during 1972-73. The Import Policy for the year made provision for larger allocation of raw materials like steel, etc., as a result of which the exports of engineering goods increased by Rs 14.7 crores (from Rs 89.7 crores during April-December 1971 to Rs 104.4 crores during April-Dec. 1972). In the case of iron ore the exports increase by Rs 8.5 crores, (from Rs 71.4 crores to

TABLE IV

India's Exports of Principal Items

(Value in Rs lakhs)

S. No.	Commodities	1970-71	1971-72	April-Dec. 1972	April-Dec. 1971	Increase/decrease April-Dec. '72 over April-Dec '71
1	2	3	4	5	6	7
1.	Tea	14825	15631	12017	11669	+348
2.	Coffee	2511	2207	2270	1898	+372
3.	Tobacco (unmanufactured)	3140	4225	5020	3496	+1524
4.	Oilcakes	5542	4015	4113	2922	+1191
5.	Cashew kernels	5207	6133	5652	5131	+521
6.	Spices	3881	3618	1566	213	—546
	(a) Pepper	1525	1483	732	737	—5
	(b) Cardamons	1134	820	471	554	—83
7.	Fish	3128	4199	4050	2865	+1185
8.	Cereal & cereal preparation	1097	717	2774	482	+2292
9.	Sugar	2757	3003	977	2677	—1700
10.	Lac	500	659	447	498	—51
11.	Raw cotton	1395	1664	1751	1276	+475
12.	Raw wool	411	342	374	262	+112
13.	Iron ore	11728	10470	2988	7141	+847
14.	Manganese ore	1398	1060	674	827	—153
15.	Mica	1556	1538	1427	1198	+229
16.	Iron & steel scrap	695	200	85	155	—70
17.	Cotton piecegoods (mill-made)	6750	6663	5978	4628	+1350
18.	Cotton piecegoods (handloom)	779	995	1172	692	+480
19.	Cotton yarn	2059	1598	1707	1017	+690
20.	Fabrics of artsilk & synthetic fibre & spunglass	526	749	718	593	+125
21.	Cotton apparel	862	1399	1990	907	+1083
22.	Coir yarn & manufactures	1300	1342	1070	995	+75
23.	Jute manufactures	19044	26528	19268	18691	+577
24.	Leather & leather mfrs.	7218	9077	11478	6415	+5063
	(a) E.I. Tanned hides & skins	4475	6427	7096	4782	+2414
	(b) Chrome tanned	2450	2177	3030	1408	+1622
24.	Iron and steel prime, excl. ferro manganese and ferro alloys †	6720	2558	1569	2317	—748
25.	Footwear excl. rubber footwear	1125	2558	903	813	+90
26.	Engineering goods†	13041	11836	10439	8973	+1466
27.	Ferro-manganese & ferro-alloys	1139	294	449	223	+226
28.	Chemical and allied products	2936	2758	2639	2059	+580
29.	Rubber mfrs. incl. crude rubber	705	786	648	589	+59
30.	Handicrafts	6916	8174	8671	5877	+2794
	(a) Pearls, precious and semi-precious stones	4188	5151	5502	2716	+1786
	(a) Handmade carpets & druggets	1057	1235	1418	872	+546
	Grand Total Incl. Other Items and Re-exports	**153516**	**160661***	**139411**	**114003**	**+25408**

*This includes substantial exports (approximately Rs 3.8 crores) to Bangladesh for which commodity-wise breakup is awaited.

†Certain items of manufactures of iron and steel which used to be included in iron and steel have been shifted and added to engineering goods from the year 1971-72. The previous years figures of both iron and steel and engineering goods have been adjusted on the basis of this classification.

Source: D.G.C.I. &S., Calcutta.

79.9 crores) due to in-
ed exports to Japan from
.4 crores to Rs 67.1 crores
o Romania from Rs 3.6
s to Rs 5.2 crores. The
of exports in coffee was
encouraging.

p B—Items Showing ine

nong the items showing ne, sugar recorded the lar- fall from 2.6 lakhs tonnes d at Rs 26.8 crores during l-December 1971 to 8.1 tonnes valued at Rs 9.8 es during April-December . Despite the fact that national price situation been considerably favour- a large decline in the rts of sugar was mainly on unt of shortage of sugar e country. The exports confined mostly to a countries *viz*. USA UK. The position in re- to irom and steel conti- l to be difficult due to shor- of this items in the home ket. As a result of strong and for steel by the engi- ing units, the availability teel for exports has been iderably reduced in recent s.

e exports in respect of es also suffered a substantial ine due mainly to reduced rts in respect of items like ies, turmeric, cuminseed cardamom. In the case of per which is the biggest of the group, the quantum exports increased by 20 cent from 8.4 thousand es to 10.1 thousand es, but the export earn- did not show any material ge on account of fall in unit value of exports. In case of manganese ore, shortfall may be attributed nremunerative price offered buyers, and non-availabi- of high grade manganese for export due to short supp- because of the increase in indigenous requirements of o-alloy industry.

ction of Exports

irection-wise statistics of orts for the period April- ember 1972 (as compared to April-December 1971) showed that most of the increase during the period was on account of increased export to ECM, East Europe and ECAFE. In terms of percentage, exports to ECM rose by 80 per cent from Rs 85.4 crores to Rs 93.9 crores, to East Europe by nearly 36.5 per cent from Rs 251.1 crores to Rs 342.7 crores and to ECAFE by 23 per cent from Rs 285.7 crores to Rs 350.8 crores. In regard to East Europe, there was substantial increase in the exports to USSR from a value of Rs 158.6 crores to Rs 226.9 crores during the period. There was also increase in the off-take by Czechoslovakia and Poland. Exports of ECAFE showed an abnormal rise primarily on account of emergence of Bangla Desh as a new market. Japan, the largest buyer of Indian goods in the ECAFE region, increased her off-take from a value of Rs 132.6 crores to Rs 154.9 crores. Exports to Bangla Desh as recorded by DGCI &S amounted to Rs 59.8 crores* during-April-December 1972.

In spite of a substantial increase in the overall exports during th e period, our exports to Africa suffered some setback. There was a steep decline in exports to Sudan from Rs 36.3 crores to Rs 15.7 crores. Exports to UAR however showed increase by about Rs 7.5 crores from Rs 14.1 crores to Rs 21.6 crores.

Among the other major buyers, exports to USA increased by Rs 16.4 crores from Rs 191.5 crores to Rs 207.9 crores and to UK by Rs 11.3 crores from Rs 123.9 crores to Rs 135.2 crores.

Imports

Total imports amounting to Rs 1239 crores during April-December 1972 were lower by Rs 125 crores or about 9 per cent as compared to imports in the corresponding period of 1971. This decline in overall imports was largely the result of heavy fall in imports of cereal & cereal preparations which fell from Rs 105 crores to Rs 22 crores as a result of comparatively easier foodgrain supply position in the country until the first half of 1972-73. (Owing to drought in a large part of the country the food position started deteriorating since the beginning of '73.

Due to better crop of cotton in the country, imports of cotton were also somewhat lower. Among other categories of imports, iron and steel, non-ferrous metals, fertilizers and transport equipment also registered decline. Imports under most of these categories are expected to show improvement during the last quarter of 1972-73. As against the decline in the above categories, imports of machinery, petroleum & petroleum products, and chemical & allied products were higher during April-December 1972 as compared to April-December 1971.

The Table III (p. 255) summarises the position of imports in respect of main categories during April-December 1972.

Direction of Imports

There was significant increase in the imports from West Europe particularly from ECM area which rose from Rs 185 crores during April-December 1971 to Rs 222 crores during April-December 1972, thereby showing an increase by almost one-fifth or 20 per cent. These imports comprised mostly of machinery and transport equipments, iron & steel, non-ferrous metals, chemicals and allied products, and fertilizers. Imports were also higher in the case of Africa and Asia & Oceania increasing by 15 per cent and 8 per cent respectively. Sudan shared the largest increase in the imports from Africa because of larger consignment of cotton to India.

Among Asian countries imports from Japan declined by Rs 5 crores from Rs 124 crores to Rs 119 crores, whil was a marked increase imports from Kuwait, A nistan, Rep. of Korea New Zealand.

As against the above trend imports from continent o America, particularly those from USA dropped by more than half from Rs 320 crores to Rs 149 crores and from Canada from Rs 82 crores to Rs 50 crores. Such a heavy decline in the imports from these countries can be attributed to sharp reduction in the imports of foodgrains mostly wheat. Import from East Europe at Rs 149 crores during April-December 1972 were lower by Rs 2.4 per cent as compared to imports during April-December, 1971.

Statement showing the extent of increase or decrease in exports of varions items during April-December 1972 as compared to April-December 1971 is given in Table IV and India's Exports of Principal Items in Table V (p. 258).

*This excludes substantial exports to Bangladesh which were not recorded completely by the concerned Custom Authorities during the earlier part of the year.

TABLE V

Direction of India's Exports Trade by Economic Regions and Principal Markets

(Value in Rs lakhs)

S. No Region/major countries	April-December 1971	April-December 1972	Rise (+) or fall (—) in April-Dec '72 over April-Dec '71
I. Africa	8967	7839	—1128
1. Kenya	558	536	—22
2. Nigeria	785	757	—28
3. Sudan	3634	1565	—2069
4. Tanzania, United Republic of	347	288	—59
5. United Arab Republic	1412	2164	+752
II. America	23472	23526	+54
(i) **North America**	22311	23003	+692
1. Canada	3166	2215	—951
2. USA	19145	20788	+1643
(ii) **Latin America**	918	356	—568
(iii) **Other American Countries**	243	167	—76
III. Asia and Oceania	33154	40998	+7844
(i) **ECAFE**	28585	35084	—6519
1. Afghanistan	860	824	—36
2. Australia	2012	1892	—120
3. Burma	781	395	—386
4. Ceylon (Sri Lanka)	1726	681	—1045
5. Hongkong	1226	1426	+200
6. Iran	1454	2046	+592
7. Japan	13262	15489	+2227
8. Korea, Rep. of	595	118	—447
9. Korea, Dem. Rep. of	95	65	—30
10. Malaysia	964	652	—312
11. Nepal	1942	2530	+588
12. New Zealand	829	674	—155
13. Bangladesh	—	5980	+5980
14. Singapore	1358	1252	—106
15. Thailand	307	442	+185
16. Vietnam, Rep. of	343	14	—329
(ii) **Other Asia and Oceania**	4589	5914	+1325
1. Bahrein Islands	255	246	—9
2. Dubai	403	561	+158
3. Fiji Islands	107	109	+2
4. Iraq	851	923	+72
5. Kuwait	756	1212	+456
6. Saudi Arabia	743	1007	—264
IV East European Countries	25107	34268	+9161
1. Bulgaria	997	1231	+234
2. Czechoslovakia	1953	3298	+1395
3. German Democratic Republic	1432	1077	—355
4. Hungary	1131	941	—190
5. Poland	1146	2973	+1727
6. Romania	696	1112	+416
7. USSR	15862	22686	+6824
8. Yugoslavia	1890	956	—940
V. West Europe	23313	32780	+946
(i) **ECM Countries**	8537	15387	+685
1. Belgium	1630	1916	+28
2. France	1635	3174	+153
3. Federal Rep. of Germany	2640	4451	+181
4. Italy	1638	3543	+181
5. Netherlands	995	2393	+139
(ii) **EFTA Countries**	13794	15828	+203
(i) UK	12391	13521	+113
(ii) **Other European Countries**	982	1565	+58
Grand Total of Exports (incl re-exporters)	**114013**	**139411**	**+2539**

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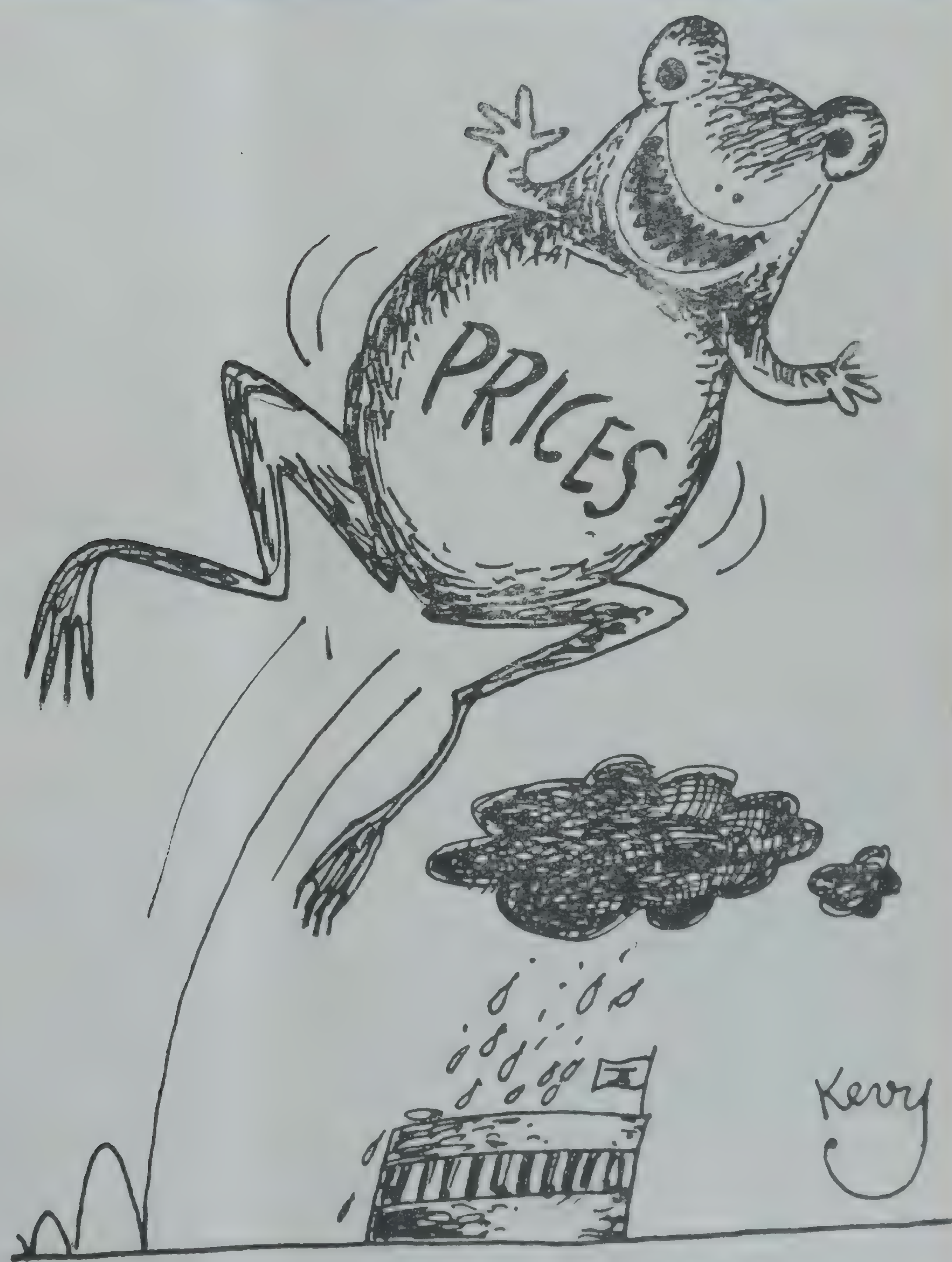

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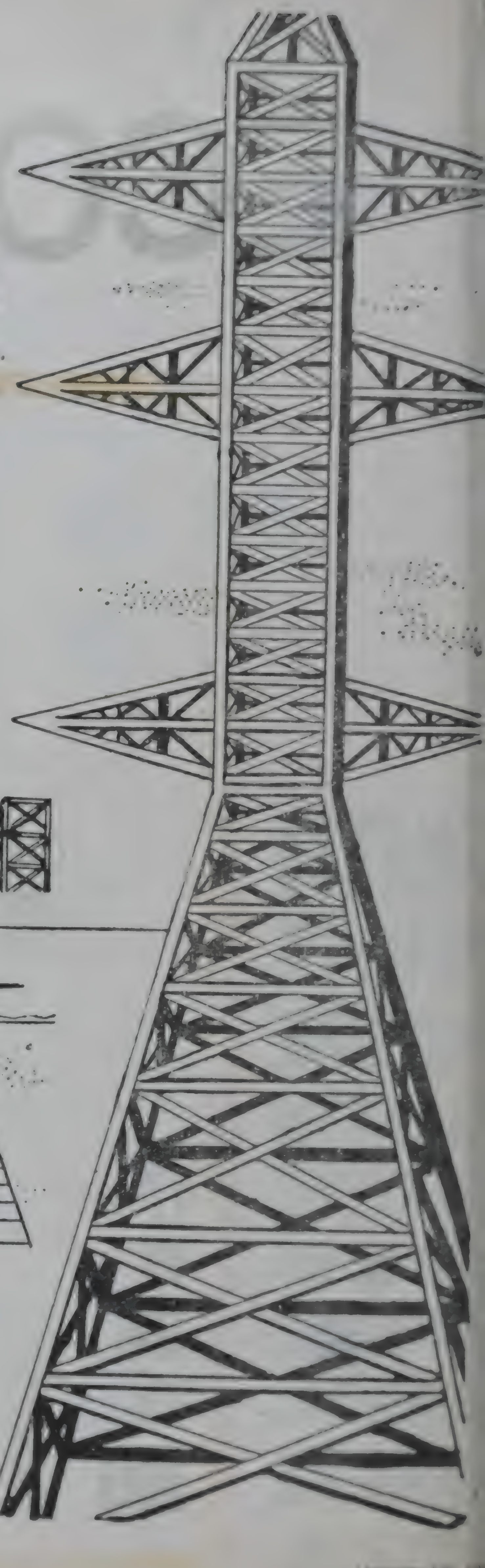

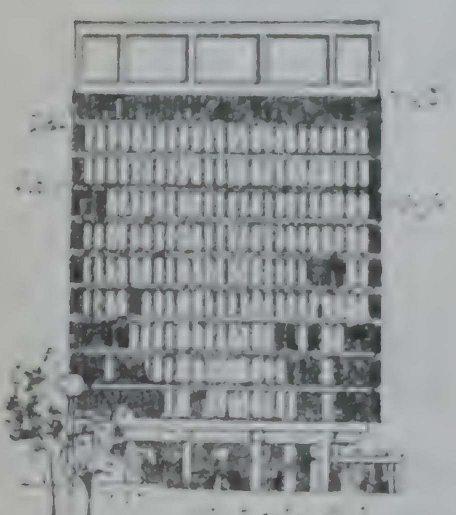

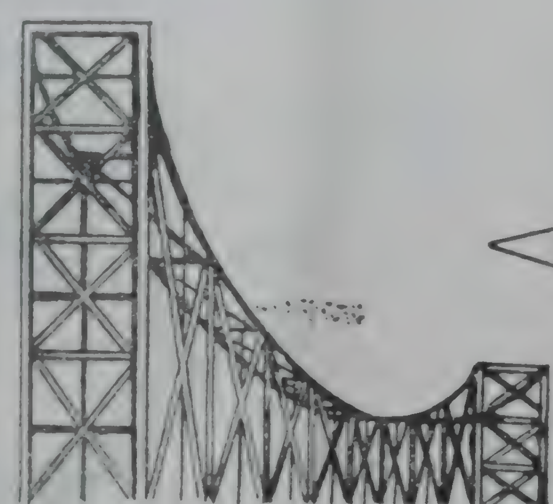

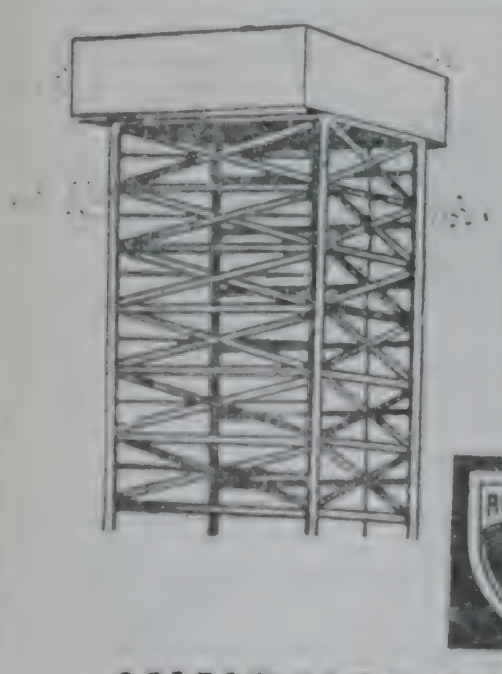

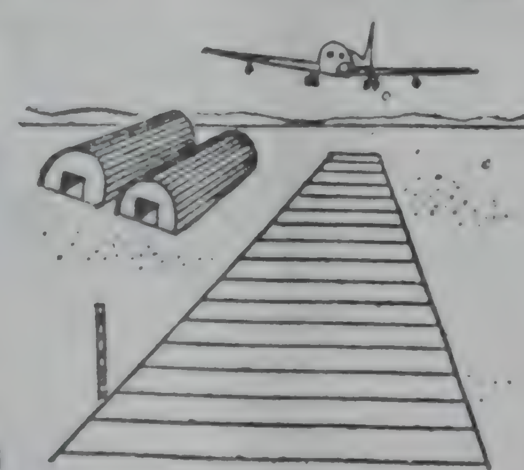

...oor man's planning?

IF POVERTY of spirit is to be deplored more than poverty of material possessions, as, indeed, it should be, the minister for Planning is to be pitied for the depth of frustration to which he has sunk. Even though the fifth ... is still in gestation, he has nevertheless hurried to reassure the country that he ...not let it die. This is hardly the mood in which the government of India could ...hould, with any hope or pride, embark on its battle against poverty or indeed any ...e. It must however be said to the credit of Mr Dhar that he has not spared him... ...or the government of which he is a member the humiliation of conceding, although ...rectly, that the projected fifth Plan is fast losing its credibility. That planning ...f is becoming discredited in this manner is not entirely because of the government's ...plished failure to regulate the price-line. What is even more to the point is that ...yone in the government, including the prime minister, seems to be losing faith fast ...e capacity of this country to set itself worthwhile goals of development and go after ...n with courage and perseverance.

...t was claimed at one time that, after an indifferent third Plan and a drifting fourth, ...next Plan, which would be the fifth, would make up for lost time and make good ...opportunities by reinvigorating the nation's development effort. The drought ...year, however, had dried up not only the land in Maharashtra or elsewhere, but ...the self-confidence of the government. The result is that there is no longer any ...ous talk in Yojana Bhavan of real resources being generated and mobilized in greater ...sure. On the contrary, like some mean and miserable accountant, the Planning ...ster has started talking of cutting down consumption of this or the consumption ...hat as if it is the marginal production or import of non-essential goods which has ...coming in the way of this country's economic development. It is an unfortunate ...of democracy that it cannot do without the demagogue but, even so, politicians ...usted with high responsibilities ought to try to be serious about discharging their ...gations to the public. Had they done so, it would not have been necessary for Dr ...dish Bhagwati to come all the way from the Massachusetts Institute of Technology to ...us that what had really gone wrong with our development effort was that the govern...t's economic policies had failed to organize a sufficient rate of investment. Even ...uring the last three or four years a determined onslaught was being made on incen...s everywhere in the economy by the ruling party in its own selfish political interest. ...as becoming crystal-clear that the development process was being reversed through ...suppression of saving or investment initiatives almost at all levels of the commu...y. Having thus effectively arrested any worthwhile growth in the capacity of the ...nomy to set itself ambitious goals of economic progress, the government now seems ...e interested only in making a virtue of necessity and opting for a poor man's plan...g, which of course is not the same thing as planning for redeeming the poor from ...r poverty. No wonder all that the dull and drab men in Yojana Bhavan could or ...uld promise us after four five-year Plans and the beginning of the fifth is a sunless ...ld of austerity for its own sake.

The outrageous futility of this type of mentality becomes all the more difficult to ...erate in the light of the truth that for every restrictive or negative notion that comes ...of Yojana Bhavan there is a constructive and positive alternative. Take, for ins...ce, the concept of self-reliance which is being twisted and tortured into a formula ...denying this country the benefits of international movements of capital, technology, ...ods or services. Speaking some time ago as the chairman of Hindustan Lever, Mr ...G. Rajadhyaksha (who incidentally has since wandered into Yojana Bhavan) employ...a Sanskrit word *swavalambanam* to suggest that national self-reliance could easily ...a means of taking this country into the mainstream of international commerce and ...p it there. He pointed out that self-reliance would become real only when India ...ld freely buy from whichever country it chose the goods, services and technologies ...equired and could pay for them in the free foreign exchange it had earned by the ...e of its products and skills in the international markets. It is true that, possibly with ...next assignment in mind, Mr Rajadhyaksha could not resist the temptation of play... with our foreign trade statistics for the purpose of proving that our country had ...eady achieved a high degree of self-reliance in this sense. But this does not vitiate ...conceptual definition of what true self-reliance ought to mean. We would like to ...Mr Dhar bluntly whether he and the rest of the Planning Commission share this ...ion of self-reliance and, if they do, whether they really believe that the attitudes they ...vour or the policies they adopt will ever place this country on the path to self-reliance ...is defined.

A reference to another company chairman's speech would appear to be relevant

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at this stage. Mr Viren Shah, in a statement to the shareholders of Mukand Steel, devoted his address entirely to a discussion of how the government's planning effort, or rather the lack of it in basic areas of the economy had compromised both the self-respect and the self-reliance of the nation. After making the point that drought was not a periodical visitation but a chronic condition where a large part of the Deccan Plateau was concerned, he asked why so little had been done by the Maharashtra government to deal with this problem over a period although the Bharve Commission had recommended a concrete and comprehensive programme for surface or well irrigation. In fairness to the state government he recognized the extent to which inter-state disputes over river waters had come in the way of constructive irrigation efforts in Maharashtra or elsewhere. But he still maintained that much could have been done for the conservation of moisture for dry-land agriculture, given a clear policy for the prevention of famine, promotion of employment opportunities and development of food production.

Viewed against such stern realities of what had to be and could have been done but was not, Mr Dhar's academic discussion (in the Rajya Sabha or elsewhere) whether agriculture should be allotted on paper some more crores of rupees or not looks like the merest shadow-play. Politicians at all levels have been more interested in allegedly reforming land tenures or redistributing land among the landless (while actually grabbing public land for themselves) than even in simply maintaining this country's historic practice of extending or improving irrigation whereever possible by whatever means that may be available. As prices soar, shortages multiply or unemployment grows, it is being driven home to the nation that planning should be saved from the politicians before it is too late.

Wobbling wings

THE COMPLETION of the first two decades of operation by Air-India and Indian Airlines as nationalised corporations on August 1 this year failed to enthuse even those spokesmen of these organisations who had agreed to participate in the official jamborees in the capital and other centres. The memory of the crash of Boeing 737 (along with the findings of the Rajinder Sachar Committee) and the grounding of a Caravelle and a Fokker Friendship as a result of "heavy landing incidents" in recent months was too fresh to let the ministers as well as the officials of the Indian Airlines to pat themselves for gains—whatever their worth—made during the last 20 years. Besides these mishaps, there was the overhanging shadow of unfavourable working results of both the undertakings. Air-India as well has a poor record in this regard, its profit and loss account having been in the red for two consecutive years.

The lack of discipline and deteriorating standards of efficiency in Indian Airlines are not of recent origin. Gradually over the past many years, both of these have been eroding the corporation. Though the above-mentioned accidents drew the attention of the public to its sad state of affairs only a couple of months ago, our parliamentarians in particular have been fully in the know of its plight. In April this year, the Committee on Public Undertakings (CPU) in its 28th report had indicated that (i) the shortage of adequately trained pilots had brought about low utilisation of aircraft; (ii) there were operational losses on the majority of the aircraft in the fleet of the corporation; (iii) in 1971-72, the number of services delayed for 15 minutes and more was as high as 28,824 and constituted 35.6 per cent of the total number of flights during the year; (iv) the productivity of workshops was low and the available man-hours were not fully utilised; (v) the productivity of Indian Airlines (in terms of ATKm) was much lower than that of any other airlines, (vi) instead of finding a lasting solution to the problem of unsatisfactory labour-management relations, Indian Airlines had been trying to solve each problem as it rose. And there were many other indictments in this report which pointed to the inept way in which the affairs of this corporation had been handled in recent years.

The manner in which the disposal of surplus Dakotas and Viscounts was handled by Air-India showed that the corporation was completely bereft of all commercial sense. The Indian Air Force (IAF) had selected and requested for immediate delivery of 10 DC-3 aircraft in August 1968. Only three of these aircraft were delivered as the sale price had not been settled. Till July 1969, the deal was not finalised with the result that the IAF informed the corporation that it was no longer interested in the aircraft. Another offer received from a foreign client did not result in a sale for the same reason. Ultimately the Dakotas were sold this year as scrap. And this happened after the CPU had remarked in its reports: "The Committee hope that every effort would be made to d of expeditiously the aircraft surp the requirements of the corpora avoid the locking up of capital a expenditure increased on their pa and maintenance".

The official handout describing achievements of Indian Airlines has a number of indicators of growth. the time of nationalisation in 195 had 99 aircraft in its fleet, mostly d tas. At present there are 50 large- planes consisting of six Boeings, Caravelles, 15 HS 748s, six Visco nine F-27s and seven DC-35. The an revenue has multiplied almost 16 t and the number of passengers has m plied ten times. Its 20th rank am the IATA carriers in terms of numbe flights does give it an honourable st but the most important element w determines its acceptance by the pas gers and the public is the quality o service which unfortunately is exceedi poor. The harassment and inconveni caused to the travelling public will r careful attention along with the provi of safety in the air. Without firm ac on these fronts, Indian Airlines ca hope to improve its tarnished image.

There is no doubt that Air-India a better image in the mind of the pu than that of Indian Airlines. Tho relatively better performance, Air-In has carved out a place for itself in in national air transport which is an ex mely competitive field. The losses curred by it during the last two ye have been primarily due to the acqu tion of Jumbos which, it was felt, wo turn out profitable in the long r Moreover, Air-India could not retain position in the international travel f unless it moved with the times and able to provide services comparable those of the airlines of developed co tries.

Besides the losses, Air-India has recent years been found wanting regard to its services to customers. offi ial spokesmen have tried to expl away the losses as the result of increase in operation costs consequ upon the acquisition of large-sized pla But wasn't this given as a reason for acquisition of these planes? The emp yer-employee relations in Air-India, tho relatively improved at present, have b a source of anxiety to the clients. March this year, when the corporat took strong action against some of employees over the episode of "sto ways", the protest strike of the s paralysed its operations. The cond

which the workers resumed work [...]cated that discipline in Air-India [...]ld receive a severe jolt.

The stewardship of the affairs of Air-[...]ia by its chairman, Mr J. R. D. Tata, [...] without doubt helped the corpora[...] in expanding its activities in a judi[...]s manner. The contribution of Mr [...]a in making Air-India an interna[...]al airline of repute is enormous. [...]ortunately even he has not been able [...] arrest the falling standards in the [...]anisation, especially in the ground [...]f. The indifference shown by these [...]ple to the travelling public is something to be seen to be believed. The management of Air-India cannot escape the blame for the failure of its staff to provide service to its clients. Though not directly, the minister for Tourism and Aviation, Dr Karan Singh, must take full responsibility for the poor performance of both Air-India and Indian Airlines.

After 20 years of operation, Air-India certainly has a number of plus points in its balance sheet but the appearance of negative points in recent years has marred its reputation somewhat. It is time that this trend is reversed.

[...]oes of mineral [...]re exporter

[...] VIEW of the industrialisation that [...] taken place in the country during the [...] 25 years, there is undoubtedly a [...]wing demand for progressively switch[...] over to exports of manufactured goods [...]ead of basic raw materials. But the [...]eratives of attaining the goal of self-[...]ance in the near future, in the sense [...]t our exports pay for imports, call for [...]tinuing, and even fostering, the ex[...]ts of those mineral ores—iron ore and [...]nganese ore, for instance—the depo[...] of which are abundant. Along with [...] growing domestic requirements, this [...]rants a concerted action at raising the [...]put of our mineral industries.

Against the above backdrop, the plea [...]Mr Dharamchand Jain, in his presiden[...] address to the seventh annual session [...]the Federation of Indian Mineral Indus[...]s, which was held in Delhi towards the [...]se of the last month, that a long-term [...]spective plan for mineral development, [...] a period of say 15 to 20 years, should [...]drawn up, deserves to be endorsed. [...]is is due to the facts that the known [...]eral resources of the country are loca[...] in the comparatively backward areas [...] the discovery of new deposits and [...]ir exploitatation is a time consuming [...]ocess. Besides helping to meet the in[...]asing demand for minerals within the [...]ntry as well as for export purposes on [...] anticipated scale, the long-term perspective plan would also assist in the generation of economic activity and opening up of vast employment opportunities in the backward regions.

Another important point made by Mr Jain which deserves pertinent note is that a study should be made expeditiously of the production capacity of the existing mines, whether they are in the public sector or the private sector, so that additional investment in the mining industry can be contained within reasonable limits. The significance of this suggestion arises out of the fact that in pursuit of its policy of socialising trade and industry in the country, the government has not been paying adequate attention to the maximising of output in the private sector. There can be no denying the fact that the private sector can play a very useful role in raising the production of minerals; it has the necessary expertise built over decades of operation.

One of the most crucial elements of perspective plan apparently has to be the building up of infrastructure facilities among which transportation is the first priority. So far as transportation within the country is concerned, the ministry of Railways has, indeed, been attempting to attune its development programmes to the requirements of the areas of growing economic activity. But in some areas, it has been shying away from additional investments in the interest of containing its losses. The drawing up of a perspective plan for mineral industries can remove this difficulty to a great extent and make phased investments in new railway lines more realistic in terms of the expected gains to the economy from th[...] growth of new mining areas.

So far as transport facilities for expor[...] are concerned, concessional railway freigh[...] can be helpful. But owing to the mount[...]ing cost of railway operations, the con[...]cessions in railway freight can only b[...] limited. More important is the improv[...]ing of our port facilities. The implemen[...]tation of the programmes for the develop[...]ment of ports unfortunately has hithert[...] left much to be desired. The situatio[...] should ease somewhat when the new doc[...] system at Haldia and the Vizag outer har[...]bour project are completed next yea[...] The recent commissioning of the Cuttack[...] Paradeep rail link should facilitate export[...] of iron ore through the Paradeep port[...] Concerted action, however, needs to b[...] taken for expediting the developmen[...] of deep draft ports at Madras and Mar[...]magao, the augmenting of the capacity o[...] Bellary-Hospet-Madras railway line an[...] the electrification of the Bailadilla-Visakha[...]patnam line.

The development of the above port[...] will assist in bringing down ocean freight[...] considerably. But it is a moot poin[...] whether the disadvantage our mineral or[...] exports suffer on this count will disappea[...] completely. Provision of some subsid[...] for sea freight differentials, therefore, ma[...] still have to be thought of. Considerin[...] that despite the world steel industry com[...]ing out of the recent recession, our ex[...]porters of iron and manganese ore sti[...] find themselves in a buyers' market, ther[...] is also a case for a fresh look at the e[...]port duties on these ores.

In the interest of stepping up expor[...] of manganese ore, pelletisation of man[...]ganese fines will have to be taken reso[...] to at none-too-distant a day, especial[...] when due to the necessity of converting th[...] hitherto proved resources of medium an[...] high grades, exports of these two grad[...] are sought to be regulated from this yea[...] It is encouraging to note that a beginni[...] in this regard is being made soon.

The recent amendment to the Min[...] and Minerals (Development and Regul[...]tion) Act, which provides for prematu[...] termination of mining leases, has to [...] implemented in a judicious manner le[...] investment in the mining industry [...] hampered. The drawing up os guidelin[...] in this regard shoutd be helpful.

Misleading budgets

THE DETERIORATION in the budgetary position of the central government in the past three years has come about in such an alarming manner that little credence is now attached to the estimates presented by the union Finance minister to Parliament. Until 1970-71 it was complained that the Finance ministry officials were over-anxious to underestimate revenues and overestimate expenditure in order to strengthen the finances of the government and make out a case for additional taxation. It thus happened that the final estimates were always better than the revised and budget estimates and in 1969-70 the overall deficit was only Rs 45.6 crores against the deficit of Rs 290.1 crores in the revised estimates and Rs 253.6 crores (budget). Thereafter however a different story has been told. The actual deficit in 1970-71 was Rs 284.9 crores against Rs 227 crores (budget). It is in 1971-72 and 1972-73 that the greatest distortions have taken place and even with massive doses of taxation and heavy open market borrowing for meeting the huge expenditure on feeding refugees from Bangladesh and prosecuting the Indo-Pakistan war, the final deficit in 1971-72 turned out to be Rs 519.4 crores against Rs 232.4 crores (budget).

The developments in that year were indeed exceptional and the central government was at its wits' end to mobilise additional resources and tackle an extremely difficult situation. It should be said in retrospect that the different union ministries tackled unexpected difficulties in a capable manner especially as their was also a serious shortfall in Plan outlay. But the development in the past year took place on entirely different lines. Against the earlier expectation that there would be a revival in the economy and the strains of Indo-Pakistan conflict would be overcome with the liberation of Bangladesh, the severe drought in several parts of the country upset all calculations. A sharp decline in agricultural production and heavy expenditure on drought and flood affected areas resulted in a spending spree which called for massive doses of deficit financing. The states indulged in improvident spending and even with the rescue operation by the centre in April last year for liquidating the unauthorised overdrafts of the former from the central banking institution, there were continual demands for larger central assistance and accommodation from the Reserve Bank.

Thus the overall deficit of the centre alone in 1972-73 was Rs 550 crores (Revised) against Rs 251.1 crores (budget) in spite of record borrowing through open market loans which fetched additionally Rs 263 crores over the budget estimates apart from buoyancy of revenues which helped the government to realise an extra amount of Rs 150 crores. The union Finance ministry should have known when the revised estimates were presented to Parliament in February this year that the actual deficit for 1972-73 would be much higher than was indicated in the budget papers. It could have been computed even at the time of the preparation of the budget estimates that the deficit would be much larger because a crash programme for boosting production in the rabi season was under way and it was also known that there would be additional liability in regard to food imports. It has now been indicated that the actual deficit for the last financial year may be as high as Rs 862 crores, Rs 312 crores in excess of the revised deficit. There can be no justification for this kind of misleading budgeting when it was known all the time that the centre's ways and means position was extremely difficult and unnecessary expenditure should be avoided if only to prevent an undue accentuation of inflationary pressures.

The only redeeming feature is the emergence of a surplus of Rs 14 crores in the budgets of the states governments for that year. It must however be said that the improvement in the financial position of the state governments was due mainly to window dressing operations as the centre took over a liability of Rs 421.2 crores from the Reserve Bank on account of the state governments in respect of unauthorised overdrafts.

The recent developments also suggest that the situation will get out of hand in the current year and there may again be deficit financing for staggering amounts if there is no pruning of non-Plan expenditure and even Plan outlays and sizeable amounts are not mobilised additionally through the issue of open market loans. The union Finance minister, Mr Y. B. Chavan, has already indicated that deficit financing in the first quarter of 1973-74 has been around Rs 380 crores while the overdrafts of the states governments also have tended to rise. With larger subsidies on sales of foodgrains through fair price shops, higher defence expenditure and a bigger salary bill on account of the revision of the salaries of government employees there is bound to be an overrun of nearly Rs 400 crores. A good part of the increase in food subsidies could have been avoided if procurement and issue prices had been raised and the government had also not increased commitments by attempting to take the wholesale trade in wheat. A[...] a result of the delay in deciding to [...] larger quantities of wheat there i[s] anomalous position of a heavier [...] having to be borne on sales of impo[rted] foodgrains. Even on the basis of union ministry of Agriculture's own [rec]koning about Rs 175 crores would be loss on sales of imported foodgrain[s] 4.5 million tonnes assuming that the p[ur]chases in overseas markets would not very much costlier than before. Th[is] sumption however is already being fa[l]sified as wheat prices have risen spec[tacu]larly in the USA, Argentina, Canada a[nd] Australia because of a low level of [...] stocks.

Even an overrun of Rs 400 cr[ores] could be easily managed as the centre [...] hope to mobilise additionally Rs 200 cr[or]es through open market loans and a[no]ther Rs 50 crores through small savin[gs]. Aid prospects also have improved w[...] with a brisker collection of taxes reven[ue] can be increased by at least Rs 50 cror[es]. With a shortfall in the Plan outlay th[ere] will be no justification for an over[all] deficit in the current year of more th[an] Rs 100 crores. But the uncontrol[led] spending on a crash programme for boo[st]ing kharif food production and the p[ro]fligacy of state governments can do [in]calculable harm. As there has been [al]ready deficit financing of over Rs 18[...] crores in two and a quarter years and [the] economy is groaning under the weig[ht] of heavy taxation, the government would [be] committing a great mistake if it attemp[ts] to present a supplementary budget, abo[ut] which there is so much loose talk in ma[r]ket circles.

The government should learn to li[ve] within its means as the total of [the] revenue budget has increased by more th[an] two-thirds in a five-year period and a[n]nually over Rs 7500 crores is being spe[nt] by the centre alone on revenue and ca[pi]tal accounts against only a little over [Rs] 5000 crores in 1968-69. The actual e[x]penditure in the current year may well [be] nearer Rs 8000 crores than Rs 7500 cror[es]. If the government could increase t[he] surpluses of industrial undertakings in t[he] public sector by improving their operati[onal] efficiency and raise industrial producti[on] of the private sector with suitable chang[es] in pricing and fiscal policies, the w[ay] would have been paved not only [for] strengthening the budgetary position b[ut] also checking an undesirable accentuati[on] of inflationary pressures. Is it too m[uch] to hope that the government will rev[iew] the whole situation and learn from t[he] mistakes of the recent past?

Set-off and carry forward of losses

G. R. Shah

is well known, according to the visions of Income tax Act, the income n assessee is to be grouped under diffe- heads, in order to compute the tax- part of the income under each head more logical and scientific manner. ultimate object of the income tax is to permit the tax receiver to y a just and equitable share of the egate amount of the taxable income, h should represent the net result of ness performance in a given period. spirit of the tax law naturally gnises the principle that positive and tive results of the different business vities carried on simultaneously be ved to be set-off against one another government should share only the product coming out of this churning cess of set-off. Section 70 to Section ave been inserted in the income tax with this object in mind, which is ersally acknowledged as an act of lom and justice. Nevertheless, in the cess of understanding and assessing implications of these provisions, one to judge, whether the framers of the were honest and impartial in design- this sector of tax structure or whether have been guided, at certain stages, one-sided view of maximising the nue for the tax collector.

mmarised reference

summarised reference here to the visions of Section 70 to Section 80 navoidable in order to create a back- und for further study and discussion tackling such intricate incidents ch call for a clear verdict on the issue olved.

o understand the provisions of Sec- is 70 to 80, it is better to classify ome under eight heads :

) Income from salaries;
2) Income from interest on securities;
3) Income from house property;
4) Income from business, profession and vocation;
5) Income from other sources;
(6) Losses and/gains on short-term capital assets;
(7) Losses or gains on long-term capital assets; and
(8) Losses or gains of speculation business.

There may be a positive or negative result of activities grouped under the last six heads while in the case of the first two groups there may be either positive results or at the utmost nil results, there is no scope for negative results. It is also known that there can be more than one source of income falling under each head.

inter-source adjustments

The first step in the process of setting off negative results is to have 'inter-sources adjustments.' i.e. loss under one source of income should be set-off against income from other sources falling under the same head, so that net income of each head can be determined by bringing together income from different sources, similar in nature, under a common roof. But one has to keep in mind the fact that Section 71 does not lay down any particular mode or order of setting off losses of different sources.

At this stage it is worthwhile to note that according to the provisions of Section 67 (2), the share of the partner in the income or loss of the firm is to be apportioned under the various heads of income in the same manner in which the income or loss of the firm has been determined under each head of income.

Further it is interesting to note that an assessee who is resident of India and carries on business in India, and who also is called upon to bear a loss as a partner in a firm carrying on business outside India is entitled to claim set-off of such loss against profit made in his Indian business, though that foreign firm is a non-resident and its income is not liable to be assessed in India.

An important case needs reference here. A speculative transaction, on account of contravening the provisions of Section 15(4) of the Forward Contracts (Regulation) Act of 1952, was declared illegal; as a result the assessee suffered a loss of Rs 340,733. He had made profit in other speculative transactions. A question arises whether a loss of illegal speculative transactions can be set-off against profit of other speculative business. In the case of CIT Vs C Kothari 1971, 82 ITR 794 the Supreme Court held that the set-off cannot be allowed under Section 73 of 1961 Act of losses in contracts which are illegal and unenforceable on account of contraventioa of Section 15(4), Forward Contracts Regulation Act 1952. The judgment made it clear that if the business in which the loss was sustained was the business in which profit was derived, the loss had to be taken into account while computing the profit of the business.

interesting judgement

Another interesting judgment, in the case of Mother India Refrigeration Industries Pvt Ltd Vs. CIT 1971, is worth noting at this stage. The question is "For the purpose of set-off and carry forward of losses, can unabsorbed business loss be deducted before setting off current depreciation allowance ? Section 24(2) directs that business losses should be given priority over unabsorbed depreciation allowance. Under the provision (b) to Section (10 (2) (1) depreciation allowance which is carried forward merges into depreciation allowance for the succeeding year. After such merger, the unabsorbed depreciation allowance is to be deemed depreciation allowance for the current year. As business losses have to be given priority over unabsorbed depreciation allowance, there is no good reason why business losses which have been brought forward should not receive priority over current depreciation allowance. Hence an assessee is entitled to deduct business losses at the end of the relevant assessment year before setting

off the current and unabsorbed depreciation allowance.

Stage No. 2 :— Inter-Head Adjustment of Losses: Section 71. According to Section 71 and 72 net loss under each head is to be set-off against net income of other heads subject to the condition that loss on speculation business cannot be set-off against the income falling under any other head but loss in a non-speculation business can be set off against the income of a speculation business in the same assessment year. A loss in respect of long-term capital asset can be set-off against the income of any other capital asset.

no rules laid

Section 71 does not lay down any particular mode or order of setting off loss under one head against income under another head and in the absence of any statutory provision to the contrary, one must follow the rule of carry forward and set-off in a manner most beneficial to the assessee. So, loss under one head must be set off against income under another head which is directly liable to be taxed in the hands of an assessee instead of against income which, though included in the total income, is not directly chargable in his hands, e.g. share of income from an unregistered firm taxed at source. After so setting off, if there remains a loss under any head, it is to be set-off against income which is not chargeable to tax. However according to the Supreme Court decision 41 ITR (30) share of loss in a registered firm has to be set-off against share of profit in an unregistered firm which has separately been taxed.

When the assessee has income under the head of capital gains and loss under any other heads he can either set-off loss against income from capital gains so far as it reducts the short-term capital assets and income under any other heads and carry forward the balance and pay tax on long-ierm capital gains as it is taxable at lower rate.

The main point to be kept in mind is that short-term capital loss should be adjusted against the net income from other sources, excluding long-term capital gains, in case that indicates a positive result.

Stage No. 3:— Carry Forward of Loss : Section 72. The loss under the head of business 'profession' as vocation other than loss on speculation business is allowed to be carried forward up to eight years and set off against the income of any business or profession provided that business or profession for which the loss was originally computed continued to be carried on by him in the previous year relevent to that assessment year. Thus non-speculation business loss carried forward can be set-off against the income of any business including speculation business carried on by the assessee. If the business was carried on by a sole proprietor and the same is continued in a partnership with others the provision of Section 72 will apply. Business losses carried forward from earlier years can be set-off against income derived from shares and securities which are held as stock in trade because in that case a business is carried on and loss is to be carried forward up to succeeding eight years. However essentials of continuity of business of carry forward and set-off of loss are not applicable where the business is discontinued owing to extensive damage caused by flood, typhoon, hurricane, cyclone, earthquake or other natural calamities, riots or civil action by enemy or action taken in combating an enemy and thereafter the business is reestablished, re-constructed or revived within a period of three years from the end of the previous years in which the damage is caused.

carry forward of loss

Such portion of the net loss relating to short-term capital assets, as cannot be wholly set-off against income under any head may be carried forward for eight assessment years to be set-off against short-term eapital gains for those years. Unset-off long-term capital loss can be carried forward for a period of four years to be set off against long-term capital gains for those years. But in the case of a non-company assessee it cannot be carried forward if it does not exceed Rs 5000.

Section 73 permits unset-off speculation loss to be carried forward up to succeeding eight years to be set-off against the profit of speculation business. It is not necessary that the speculation business for which the loss was originally computed should continue to be carried on in that year, the income of which is utilised for the purpose of set-off, nor it is necessary that speculation loss in case of a commodity should be set-off from the speculation gains in the same commodity.

If there is unabsorbed depreciation or any deduction on account of capital expenditure on scientific research carried forward, the business loss carried forw[ard] under Section 72 and any specu[lation] business loss carried forward under [Sec]tion 73, must be set-off in priority to setting off of such unabsorbed depr[ecia]tion or deduction on account of cap[ital] expenditure on scientific research be[cause] it can be carried forward indefinitely, current year's depreciation and cur[rent] year's capital expenditure are first to [be] charged to current year's profit.

typical cases

The following assessees cannot ca[rry] forward the losses.

(1) Registered Firms—After comp[let]ing inter-source adjustments and in[ter-]head adjustments, if any loss remai[ns] such loss is to be apportioned betw[een] the partners and it should be an intima[tion of] loss.

(2) Unregistered firm treated as re[gis]tered firm.

(3) When change has occurred in [the] constitution of the firm :

> The loss proportionate to the share [of] retiring partner as exceeds his sh[are] in the profit of previous year.

Suppose A, B and C are three partn[ers] who were sharing profit or loss in [the] proportion of 2 : 2 : 1. A loss of Rs 90[000] has been carried forward under the he[ad] B P V. Their shares are 36000, 360[00] 18000 respectively. The firms curr[ent] year's profit is Rs 60,000 and other inco[me] Rs 9,000. 'A' dies after nine months of [the] current year.

	First 9 months		Last 3 month[s]	
	Business	other	Business	oth[er]
A	18000	2700	—	—
B	18000	2700	10000	15[00]
C	9000	1350	5000	7[50]
	45000	6750	15000	22[50]

A's Share of profit on death		180[00]
His share in carry forward loss		360[00]
Unabsorbed loss		180[00]
From further carry forward on acco[unt] of death :		
Business profit	60000	
Business loss	72000	
Unabsorbed loss		(—120[00]
Other income		90[00]

Succession : A person who has succeed[ed] in such capacity otherwise than by inhe[ritance]

ıce, the loss relating to the predecessor nnot be carried forward so as to be availe for adjustments against his future inne. On succession taking place, two essments will have to be made. One for period up to the date of succession and other for the remaining period thereer.

ccession rule

t must be further noted that a mere nge in the name of the company witht any change in the legal status or stitution does not amount to successn. (Calcutta High Court) Economic estment Corporation Ltd, Vs CIT 2 est Bengal).

n the case of companies other than se in which public are substentially erested loss is allowed to be carried ward even after change in the constiion, provided shareholders in the new mpany were having not less than 51 cent of voting power in the old mpany.

Losses under the head interest on secues, income from house property, ome from other sources cannot be ried forward.

Carried forward losses can be set-off t only against business income comed under Section 28 but all income rived from the business activity hough computed under other heads of come.

There are some aspects which have portant bearing on set-off and carry rward of losses. It is therefore essenl to refer to them at this stage.

The first stage prescribed for setting off sses is to have inter-source adjustments th the result that income of each head ultimately determinded. The business come is computed before adjusting preciation and development rebate. The ll amount of depreciation is deducted om profits. If it is not sufficient, the uncovered depreciation gets a chance of ing recovered from income from other ads under the second stage of interads adjustment. If it still remain unvered, it is carried forward and is deem- to be part of depreciation of the bsequent year. Provided it is further companied by unabsorbed trading loss, abasorbed trading loss gets precedence ver unabsorbed depreciation. Now in at year current year's depreciation is rst to be recovered from trading profit, otherwise it gets a chance to be recovered from income under other heads, but unabsorbed loss does not have the chance to be recovered from income from other heads. In the light of this situation the third item, namely unabsorbed depreciation, waits to get a chance of recovery after unabsorbed business loss is fully recovered. The Bombay High Court in case of Salu Rubber Pvt Ltd, Vs CIT 48 ITR, further insists that unabsorbed depreciation is entitled to claim recovery only if the business in which recovery is claimed can get a chance of being recovered from income from other heads, The Supreme Court in the case of CIT Vs Jaipur China Clay Mines Pvt Ltd, come to the rescue of the item of unabsorbed depreciation giving a verdict that since unabsorbed depreciation is deemed to be part of current depreciation, in the absence of sufficient profit, it should be allowed to be recovered from income from other heads.

development rebate

Development rebate in the first year stands a chance of recovery from income from other heads in the absence of sufficient profit. Subject to the priority of unabsorbed trading loss in the subsequent year, it stands a chance of recovery from income from other heads. When profit, after meeting the burdens of unabsorbed trading loss, does not warrant its recovery on account of insufficiency, it stands a priority over current year's development rebate on account of the time limit imposed on its recovery.

Partnership Firms : On the dissolution of a partnership firm, if one partner continues the business in the capacity of the sole proprietor, his share in the unabsorbed loss can be set-off against the profit of his sole proprietory business because the business is continued. Similarly it a sole proprietory business is taken over by a firm wherein the sole proprietor is a partner, unabsorbed loss of his sole business can claim set-off against his share in the profit of the registered firm.

On the occasion of a change in the constitution of a firm, when the share of one partner is taken over by another person on account of succession by inheritance, he could be entitled to carry forward the business loss incurred by the previous owner. It should be noted that when his widow is admitted as a partner in place of a deceased partner with the same share in profit and with the same capital balance, it amounts to succession by inheritance.

The recipients should further know that when a person having extra income also holds a share in a registered firm as well as in an unregistered firm, and further, if his share in a registered firm incurs loss while that in case of unregistered firm incurs profit, the profit from the unregistered firm is to be set-off against the loss of the registered firm to ascertain the rate applicable to other income. Further, according to the decision of the Supreme Court in case of Seth Jamnadas Vs Commissioner of Income Tax. 41 ITR, the assessee can claim carry forward of the share of his loss in the registered firm although the whole of it might have been absorbed by the share of profit in the unregistered firm.

Eastern Economist 30 Years Ago

AUGUST 6, 1943

The food situation is growing from bad to worse. After the recent food conference, the Foodgrains Policy Committee has been in continuous session, engaged in finding a solution to the crisis that has overtaken the country. It has not finished its labours and is expected to present its report only towards the end of August or early in September. But economic conditions do not remain static and do not wait upon Government's leisurely plans. Reports received from all provinces show the desperate condition of the masses of the population. In the province of Bengal and particularly in the city of Calcutta large numbers are already half starved, and the harrowing accounts of the deaths of numbers of people on account of lack of food are too shocking to al except whose consciences have become deadened. They are a disgrace to us who call ourselves civilized. The district of Malabar in Madras Province always undernourished and hungry, is now caught up in the dire epidemic of cholera which is taking a heavy toll of the population daily. The situation in Travancore and Cochin is highly critical. The number of people in India today who suffer from acute pangs of hunger may safely be stated to be of the order of millions.

POINTS OF VIEW

Transport in Madhya Pradesh

Satyavadi

PERHAPS THE greatest handicap confronting the economic growth of Madhya Pradesh is the absence of proper communications. In fact, the rigour of other problems would be alleviated to an extent if the state had a proper communication system. A large area of the state is inaccessible. In particular, the eastern and southern districts of the state, which are rich in mineral resources and provide scope for industrial development, are ill-served by the existing transport facilities. The gaps between the state and national averages in respect of different modes of transport are considerable. A comparative study with other states also brings to the fore the relative backwardness of the state in this direction.

road average

As against the all India average of 30 kms of road, both surfaced and unsurfaced, per 100 sq. kms of area, Madhya Pradesh had only 15 kms of road per 100 sq. kms of area as on March 31, 1969. Road length in Madhya Pradesh was the least among states except for Jammu and Kashmir. Kerala ranked first with 144 kms of road per 100 sq. kms of area, followed by Punjab (69 kms), West Bengal (61 kms), Tamil Nadu (49 kms), Uttar Pradesh (44 kms), Orissa (37 kms) and the rest. With regard to the number of motor vehicles too in relation to area as on March 31, 1969, Madhya Pradesh with 15 motor vehicles per 100 sq.kms of area ranked below the all-India average of 45 motor vehicles per 100 sq.kms of area and also the lowest among states excepting Jammu and Kashmir. West Bengal topped the list with 194 motor vehicles per 100 sq.kms of area, followed by Kerala (179), Tamil Nadu (80), Maharashtra (79), Punjab (69) and the rest.

In respect of the railway route kilometrage as well Madhya Pradesh finds itself in a disquieting position. As compared to the all-India average of 18 kms of railway per 1000 sq.kms of area in 1967-68, Madhya Pradesh had to its credit only 12 kms of railway per 1000 sq.kms of area. Leaving aside the states of Jammu and Kashmir, Nagaland, Assam and Orissa, all other states took a lead over Madhya Pradesh. Punjab had the highest 42 kms of railway per 1000 sq.kms of area, followed by West Bengal (39 kms) Haryana (32 kms), Bihar (30 kms), Gujarat (29 kms), Uttar Pradesh (29 kms), Tamil Nadu (28 kms) and the rest. Subsequent additions to the railway route kilometrage in Madhya Pradesh comprise just 19.89 kms. Work on 193 kms Guna-Makshi line was expected to be completed by July 1973. These additions, though important, will not make a marked difference to the relative position of Madhya Pradesh vis-a-vis other states or the all-India average. The problem is colossal and calls for concerted efforts. Three districts of the state, namely, Dhar, Panna, and Rewa, still remain untouched by railways. Besides these, the headquarters of Tikamgarh, Chhatarpur, Sidhi, Surguja and Raisen, Rajgarh, Jhabua and West Nimar districts are not served by rail.

Transport in Madhya Pradesh is to be developed essentially as an economic overhead and at some places as a necessary facility to meet the growing requirements of industrial development. There is the pressing need to open up backward areas, to break down barriers of isolation and stagnation, to develop social services and social sense, to mobilise economic resources, and above all, to bring about a feeling of oneness in the minds of the people of these regions with the rest of the community. It is revealing that the absence of adequate roads in the state restricts the approachability of the places where schemes in the production sector or the social services sector are being implemented. Thus it is not difficult to imagine why the normal cost of such schemes gets inflated.

investment needs

Investment needs concerning roads arise from the necessity of construction of missing links on the existing road systems, provision for new roads, construction of missing bridges, reconstruction of submersible and weak bridges, widening and strengthening of minor bridges and culverts, upgrading of unsurfaced roads to surfaced roads, widening and strengthening of existing roads, black topping of WBM roads, provision for bye-passes and replacement of level crossings by over/under bridges. In other words, investment needs are determined by two factors, viz., improvement of the existing roads and expansion of the road network. Improvement of the existing roads is called for to cater for the increasing volume and intensity of traffic and to make them all-weather roads. Expansion of the road network is necessitated by the very low density of roads particularly in tribal and economically backward districts of the state, inaccessibility of vast tracts of land, excess of missing links, dearth of inter-state links, regional imbalances and sectoral inadequacies. It is proposed in the fifth Plan period to link all the villages with a population of 1,000 and above with the existing road system, since the Planning Commission has noted that lack of all-weather roads connecting a large majority of villages is one of the major hardships that the poor masses face in India.

principal modes

The two principal forms of transport in Madhya Pradesh are railways and motor driven vehicles. Bullock carts constitute a complementary mode of transport to motor-driven vehicles and railways and seldom compete with these two media. They play an important role in the rural economy of the state and this role will remain unchallenged for some time to come in view of the paucity of roads in the state. Railways are an important carriers of goods traffic in the state while in case of passenger traffic road transport has taken a lead over the railways. The supremacy of railways in the case of goods traffic has been established due to the preponderance of commodities such as minerals and forest products involving bulk movement over long distances. Road transport accounts for a major portion of the passenger traffic as it links the vast areas of the state which are not at all served by the railway network. It has competed with the railways even on those routes which are served by both rail and road transport.

With the diversification of production

expansion of consumer goods indus-s, road transport will have an expand- role to play in the economy of the e. Road transport facilities will be ded on a larger scale than ever before open up new and less developed areas, carry economic development and social vices to the farthest villages, to promote growth of agriculture and the rural nomy and to provide for intra-city trans-t services. In the past, the growth of d transport was less rapid than it ght have been because of inadequacies the road system and the inability of automobile industry to produce vehi-s in the numbers needed. As these iciencies are overcome, still larger op-rtunities for growth will open up for d transport.

ganisational weaknesses

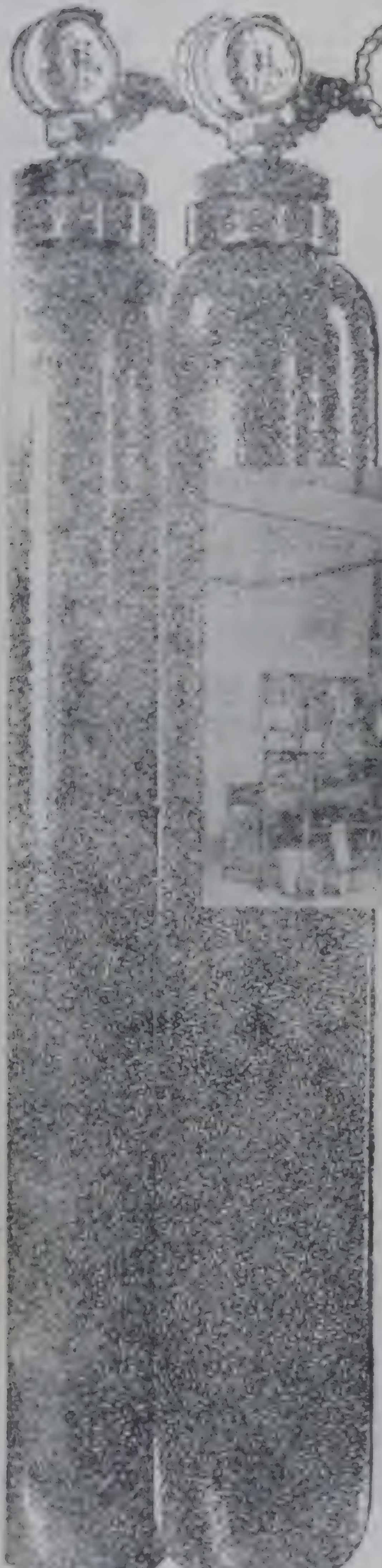
Road goods transport in the state is tirely in the hands of the private sector, th individual truck owners and trans-rt companies, In order to render effi-nt service, they will have to overcome eir organisational weaknesses and form emselves into viable units. So far as the ad passanger transport is concerned, it is oposed to continue the development of y services and inter-city and inter-state utes under state control. The Madhya radesh Road Transport Corporation will ver all routes except kutcha roads by the d of the fifth Plan period. This will call r substantial addition to the existing eet, replacements on a regular basis, ade-uate workshop facility, essential ameni-es such as bus stations, a well-trained nd disciplined staff and a smoothly func-oning administration. It shall be the ndeavour in the next Plan period to uild up a new image of the public trans-ort undertaking in the state and to pro-ide a reasonable level of services to the ublic.

By far the larger part of the state's ineral resources comprising coal, iron, re, limestone, dolomite, manganese ore nd bauxite lies in the eastern and south-rn regions, which need some additions to heir railway network rather urgently. Though earlier Plans have witnessed con-iderable railway development in these egions, a definite leeway remains to be nade up in this sector to open up the vast reas and foster the growth of industries here. The contruction of the proposed ailway line from Dalli Rajahara to Jag-lalpur will open up not only the back-ward district af Bastar, which is cut off rom the mainstream of progress, but lso the vast possibility for the exploitt-tion of its plentiful forest and mineral re-sources. Industrial development, which will follow, will provide employment to thousands of people and generate a new life among the tribal people of the district. Large deposits of scarce minerals such us copper have been located in Balaghat dis-trict, the exploitation of which deserves high priority. At present Balaghat is served by a narrow gauge line which can-not meet the requirements of the area. It is, therefore, essential to convert Jabalpur-Gondia line to broad gauge and construct a rail link to the copper areas of Baihar tehsil.

Madhya Pradesh being a far-flung state with lots of inaccessible area needs deve-lopment of air transport services. Fair-wea-ther air strips have already been develop-ed in various parts of the state but that de-velopment is dictated only by administra-tive and not commercial considerations. In the case of those commodities where the cost of transport forms a very minor per-centage of the total cost involved and/or where a very quick mode of transport is needed, airways will certainly get pre-ference over the railways and road trans-port. Similarly people, for whom time factor is very important, will prefer air-ways to other modes of transport for their travel. At present only Bhopal, Gwalior, Indore, Khajuraho and Raipur are on the air service operated by Indian Airlines. Other divisional headquarters of Bilaspur, Jabalpur, Rewa and Sagar also deserve to be connected by air in view of the administrative and communi-cation requirements of the vast and far-flung areas of the state. On the same analogy, Jagdalpur and Ambikapur also require an air link with the capital.

Due to heavy discharge during the monsoon and meagre flow of water for the rest of the year, rivers of the state, by and large, are not fit for navigation at present. The Narmada however has im-mense potentialities for navigation but it will mean a long-range project for the desired results to be accomplished. With the execution of projects on the Narmada, this river will become navigable right from Broach to Hoshangabad, thus opening an outlet for this state to the sea.

The capacity of each mode of trans-port in the state has to be developed to meet the specific demands for it as well as in relation to the rest of the transport system. The system as a whole has to be viewed at each step as an integrated structure as well as in terms of relation-ships between different transport services. Where the entire economy is in the pro-cess of growth and large areas are scan-tily served, the area of conflict between different modes of transport is by no means considerable.



Saving and investment in corporate sector

O. P. Anand

HE *Eastern Economist* of March 16, 973, published an article by Dr H.N.P.S. uman under the above caption in which e tries to analyse the connection betееn corporate income-tax and the rate f saving and investment or capital forıation of companies. For this purpose, e has made use of the studies of comany finances undertaken by the Reserve ank of India relating to the period 1956 nward. His conclusion is summed up the concluding lines of that article. ccording to him, "corporate taxes do ot appear to have affected adversely the ıte of capital formation or investments nd savings in Indian industries in recent ears. The same conclusion is true for econd and third Plan periods". I wish o scrutinise this conclusion with the aid f the same data which is alleged to yield his result.

imilar magnitudes

The table alongside furnishes informaon regarding gross capital formation, ross profit rate and disposal of profit efore tax in the form of tax provision, ividends and retained profits for the eriod 1956 to 1971. All the figures are ne same as mentioned in the article nder reference except for the averages or various five-year Plans. We are ware of the pitfalls of unweighted aveages of ratios but in the absence of etailed information, there is no alterative. And then this procedure may ot prove hazardous to our conclusions, articularly if one keeps in mind that hese are based on what may be called s similar magnitudes. Further, all this nformation is based on Reserve Bank f India's studies in which the sample size tself varied.

Gross capital formation shows a decining trend throughout this period. For nstance, the rate of gross capital formaion which stood at 16.8 per cent in 1956, ame down to 9.9 per cent during the econd Plan period, and further to 8.6 er cent during third Plan period, and hen slightly improved to 8.7 per cent luring the era of annual Plans before leclining to 8.0 per cent in the first two years of the fourth five-year Plan. Since gross profits as per cent of total capital employed shows fluctuations from a maximum of 10.3 per cent during the third Plan period to 9.0 per cent during the era of annual Plans, this variable does not seem to exert any influence on the capital formation of the corporate sector. However, if profit after tax is considered, We come to a different conclusion. Unfortunately, we do not have a complete series of profitability after tax payments. Profits after tax as per cent of net worth are available up to 1965-66 only, and show a declining trend during the second and third Plan periods. Even then these rates at 9.3 per cent and 9.2 per cent for the second and third Plan periods respectively are at a higher level than 8.8 per cent for 1956. Making use of the series up to 1965-66, we have tried to find an association between rate of gross

Capital Formation, Profitability Rates and Distribution of Profits in Public Limited Companies

Year	Rate of gross capital formation	Gross profits as % of total capital employed	Profits after tax as % of net worth	% of profits before tax as		
				Tax provision	Dividends	Retained profits
1956	16.8	9.6	8.8	45	33	23
1957	14.4	7.5	6.5	48	40	13
1958	8.4	8.0	7.1	46	39	15
1959	6.1	9.8	10.5	37	40	24
1960	10.6	10.1	11.5	38	39	24
1961	10.1	10.0	11.0	43	37	21
II Plan average	9.9	9.1	9.3	42	39	19
1961-62	9.5	10.1	10.0	43.7	35.8	20.5
1962-63	8.2	10.2	8.7	52.3	31.6	16.1
1963-64	8.2	10.7	9.5	51.0	30.0	19.0
1964-65	7.8	10.4	9.3	50.5	30.4	19.0
1965-66	9.2	9.9	8.7	51.5	31.4	17.6
III Plan average	8.6	10.3	9.2	49.8	31.8	18.4
1966-67	11.0	9.8		47.8	31.3	20.9
1967-68	9.2	8.6		49.4	36.1	14.5
1968-69	6.0	8.5		49.5	36.8	13.7
Annual Plans average	8.7	9.0		48.9	34.1	16.4
1969-70	7.4	9.6		43.7	32.2	24.2
1970-71	8.7	10.4		45.9	30.8	23.3
IV Plan average (Ist two years only)	8.0	10.0		44.8	31.5	23.7

capital formation and profits after tax as per cent of net worth. In addition, we experimented with one-year and two-year lags as well but the results negate any association between the two. In fact, the coefficients of determination at 0.0950, 0.1158 and 0.0853 in the case of no lag, one-year lag and two-year lag respectively suggest that the rate of gross capital formation was not influenced by profitability rate after tax payments.

Of the three categories into which the profits before tax are allocated, viz., tax provision, dividends and retained profits, the corporate sector has no control over tax provision because of the obvious fact that the government determines the rate and structure of corporate tax. However, the other two items of profit disposal are within the control of corporate management. But even here, there may be some limitation as regards dividend policy. Generally speaking, if profitability rises but corporate taxation remains unchanged, dividends will be increased but not to the same extent as the rise in profits. This implies that rising profitability without any change in the share of tax provisions will be accompanied by a fall in the relative share of dividends and an increase in that of retained profits. If, however, increasing profitability is accompanied by a decline in tax provision consequent to a decrease in corporate taxation, the relative share of dividends and/or retained profits may go up. Similarly, rising profitability accompanied by higher company taxation is likely to reduce the share of dividends and/or retained profits.

falling profitability

A similar commonsense reasoning suggests that a falling profitability without any change in tax provision is likely to raise dividends but lower retained profits. But when tax provision is to be raised because of increase in company taxation, a downward revision of both dividends and retained profits can be envisaged. Lastly, a falling profitability accompanied by reduction in corporate taxation may lead to an increase in the relative share of dividends and/or retained profits.

A glance at the table will show movements on these lines. For example, during the third Plan period, there is a rise in profitability as also taxation which explains the decline in the relative share of dividends to 31.8 per cent from the 39 per cent level attained during the second Plan period. During the second five-year Plan, profitability and taxation declined and as a consequence the share of dividend went up from 33 per cent in 1956 to 39 per cent during this Plan period. This phenomenal increase in the relative share of dividends is due to the comparatively high share of dividends during the first two years of the second Plan because of a drastic decline of profitability at the time of a rise in corporate taxation. If these two years are excluded, we have a phenomenon characterised by rising profitability but falling tax provision resulting in a rise in dividends, with retained profits retaining the relative share as in 1956. Then we have falling profitability during the era of annual Plans in the face of tax provision at 48.9 per cent which is slightly lower than the provision of 49.8 per cent during the third Plan period. This period exhibits a rise in the share of dividend to 34.1 per cent from 31.8 per cent in the third Plan period. Subsquently there is a reversal of the trend with regard to profitability and taxation. For, while profitability goes up, taxation goes down and there is a decline in the share of dividend to 31.5 per cent.

reduced dividends

In short, our discussion reveals that when profit falls and there is reduction in tax provision the share of dividend goes up and retained profits decline as in the second Plan period. But when tax provision rises, dividends and retained profits both get depressed as during 1966-69. However, when profitability rises but taxation declines, there is a slight fall in dividends but increase in retained profits as during the first two years of the fourth Plan. Again when taxation also goes up as in the third Plan period, this causes a reduction in dividends as also retained profits.

Broadly speaking, increased profitability leads to a decline in the share of dividend (as in the third and the fourth Plan periods) while falling profitability causes increase in the share of dividend as during second Plan and three annual Plans, 1966 to 1969. This is as it should be because businesses try to maintain the dividend rate during a period of slightly fluctuating profitability. It is only when profits increase too much or there is a drastic reduction that the dividend rate is revised either upward or downward as the case may be. This carries the implication that it is the behaviour of corporate taxation and profitability which determines the share of retained profits in the total profits. Increased profitability when accompanied by higher taxation causes a decline in the relative posi of retained profits as happened in 19 1961-62, 1962-63 and 1970-71. But wh the rise in profits is accompanied b lower tax provision, we have a high re tive share of retained profits as hap in 1959, 1960, 1963-64, 1964-65, 19 and 1969-70.

The remaining years of this peri viz., 1957, 1958, 1965-66, 1967-68 a 1968-69 exhibit declining profitability with high relative share of tax provisio that is why retained profits get pus down to the lowest levels. In fact, t share remained between 13 per cent 17.6 per cent during these years.

no irrationality

The upshot of this review is that w do not find any irrationality so far dividend policy is concerned. Furthe corporate taxation exerts a strong in fluence on retained profits along with th profitability rate. A combination o rising profitability and declining share o tax provision in total corporate profit en courages corporate saving. But whe any other situation prevails, namely rise in the share of corporate tax in tota profit with either-way movement in pro fitability rate, corporate savings in th form of retained profits get discouraged

Moreover, a comparison of retaine profits with gross capital formation ind cates some association between the two of course, with some time lag. We hav calculated the coefficient of determinatio under three different situations, namel when the association does not involve an time lag, and when one-year and two-yea lags are assumed. While the coefficient o determination (square of correlation coeffi cient) has the value 0.0065 in case no la is assumed, it is 0.4866 and 0.0997 in th cases of one-year and two-year lags res pectively. This implies that the share o retained profits in corporate profits befor tax exerts some influence over the rate o gross capital formation after a gap o one year and further this factor alon accounts for about 49 per cent of varia tion in capital formation.

In the light of these facts, we ma conclude that corporate taxation exert an influence over corporate savings wh in turn causes variations in gross capit formation or corporate investment with time lag of one year. Further this revie fails to find any connection between co porate investment and profitability eith before or after tax.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday.

HE RAJYA Sabha debate on the Planning ommission's document on the "Ap-roach to the Fifth Plan" was the main ature of the proceedings in Parliament is week. As could be expected, the oncern over the spurt in prices in the st 12 to 14 months dominated this ebate and in spite of the assertion of the nion minister for Planning, Mr D. P. har, that "the core of the Plan would be ved despite inflationary pressures", the pposition members were highly sceptical bout the content of the Plan.

The various measures outlined by Mr har to contain the prices spiral obvious- failed to convince the agitated critics ot only from the opposition benches but so some from the treasury benches. mong the measures proposed to curb flation, Mr Dhar said, were : (i) reduc-on in governmental expenditure this ear by Rs 400-500 crores; (ii) siphoning excess money liquidity in the system; i) conscious efforts at increasing produc-on; (iv) coming down heavily on con-mption by the affluent sections of the ciety and compelling them to provide e savings required for the growth of the onomy; and (v) keeping down the rices of items of daily necessities through tension and strengthening of the public istribution system. With a view to ising production, especially in the in-ustrial sector, Mr Dhar pointed out that new package of policies in respect of dustrial licensing was being considered y the government.

fficacy doubted

The efficacy of these measures was oubted by most of the members who articipated in this debate. Although they enerally agreed with the measures pro-osed, they felt that the government did ot have the will and courage to imple-ent some of them. For instance, in a orthright speech, Mr A. G. Kulkarni Congress) found no sign yet of a formula aving been devised to make the private ector work for the public good. He lamed the "conflicting ideologies" mong various sections of the ruling party r holding up production in the name of urbing monopolies. From amongst the pposition members, Dr Bhai Mahavir (Jana Sangh) wondered how the govern-ment would be able to hold down prices after its performance with the take-over of the wholesale trade in wheat. He asserted that the government had not even succeeded in its attempt to contain the prices of such commodities as cement, steel and paper, in which, contrary to the vast number of producers and distribu-tors in the foodgrains trade, the producers and distributors to be dealt with were only a few.

black money

The role of black money and heavy deficit financing in pushing up prices were mentioned particularly by several mem-bers, including Mr Krishna Kant (Con-gress) from the treasury benches. Mr Chandra Shekhar, another prominent Congress member, wondered what machi-nery the Planning Commission had to reduce consumption with the growth of incomes. He virtually challenged the government to announce a wage and incomes policy and freeze dividends. He doubted that the government would be able to find Rs 51,000 crores required for investment during the fifth Plan period. References were made by several members to the slow growth of the economy in the recent past. Some of them feared that due to inflation, even this slow rate of growth could not be kept up.

The members with leftist leanings con-tinued to blame vested interest, hoarders and monopolists for the present difficul-ties on the prices front. Some of them deprecated the reliance of the fifth Plan on monopoly business houses. A demand was also made for the demonetisation of currency. A couple of members called for a moratorium on the foreign debt repayment.

Intervening in the debate, the minister of state for Planning, Mr Mohan Dharia, expressed the hope that the dialogue initiated by the Prime Minister with the oposition parties would lead to at least "an agreed minimum programme which could be implemented quickly. He sought the cooperation of all for the implementation of the planned pro-grammes and stressed this was not the time for creating an "atmosphere of diffidence" in the country. Saving the core of the fifth Plan, Mr Dharia empha-sised, was necessary to solve the serious problems the country faced at present.

Mr Dharia agreed with the critics who had cited lack of political will as one of the main reasons why the government had not been able to realise its objective. In this connection, he particularly referred to the poor pace of procurement of wheat this year. In 1971-72, wheat production, he said, was only 26 million tonnes, but the marketed surplus had totalled 14 million tonnes. About five million tonnes had been procured by the government agen-cies and another nine million tonnes by the wholesale trade. As against this, in 1972-73, when the production of wheat was certainly more than 26 million tonnes, the government—the only procurement agency in the field—could get just about 4.5 million tonnes. Mr Dharia expressed confidence that the draft outline of the fifth Plan would be ready by September-end, as scheduled.

Mr Dhar indicated in reply to a ques-tion from Mr Chandra Shekhar that the government intended to apply the axe "ruthlessly and relentlessly" on non-essential imports in the current year. The Planning Commission, he added, had recommended to the Finance ministry that strict discipline should be exercised in the choice of imports.

collection of data

During a short discussion in the Lok Sabha on striking a parity between the prices of agricultural commodities and manufactured goods, the minister of state for Agriculture, Mr A. P. Shinde, disclosed that an elaborate machinery had been set up for the collection of data on the cost of production of various farm products. At present, the Agricultural Prices Commission (APC), he said, had to rely, in fixing prices, only on informa-tion provided by the state governments agricultural universities and common sense. But once the data collection machinery gets into full swing, the APC, he said, would have reliable information on which to base its collections. H

greed with the plea that the prices of agricultural commodities should have some relationship with those of manufactured goods, but stressed that it was a complex problem.

The minister for Railways, Mr L. N. Mishra, informed the Lok Sabha this week that several new measures were proposed to be taken to improve the position regarding the recruitment and promotion of scheduled castes and tribes candidates in railway services. The measures proposed to be taken are :

(1) Appointment of senior personnel officer in each zonal railway and strengthening of the cell in the Railway Board with an additional director and two advisers, one each from the scheduled castes and tribes.

(2) Prescribing reservation quotas for promotion from class III to class II.

(3) Replacement of the oral test (viva voce) by personal interview in the direct recruitment grade for all those who pass the written test, ranking being according to marks in written papers.

(4) Reservation quotas for all non-selection promotional grades in class III.

(5) Academic degrees would not be a decisive factor for promotion from class III to class II.

A cell would be opened in the Railway Ministry to implement these decisions, as well as the steps already taken in earlier years to improve representation of scheduled castes and tribes. The cell would report to the minister every month and to Parliament every six months.

The following important information was provided in the two Houses by various ministers :

(i) The procurement prices for kharif cereals will be fixed at the beginning of the harvesting season. The government has "learnt enough" from the procurement of rabi wheat crop. It will, therefore, be careful enough to take into consideration all factors before coming to a final decision in regard to fixing the procurement prices for kharif cereals.

(ii) The government does not think it necessary to set up an inquiry committee of experts or parliamentarians to go into the causes of the recent frequent failures in the Tarapur atomic power station. The recent interruptions in power from this station were almost entirely due to failures of transmission lines belonging to the Gujarat and Maharashtra state electricity boards and not due to any fault in the station. A team of experts from CPWC has visited switchboards at Tarapur and other places to look into the problems of transmission.

(iii) The Mysore government has suggested Tungabhadra project as one of the sites for a future atomic power station. The site selection committee, appointed by the Department of Atomic Energy, is looking for suitable places in the southern region for putting up another project to produce atomic energy.

(iv) The fourth Plan target for additional resources mobilisation by the centre is expected to be overfulfilled. As against the target of Rs 2,100 crores (net of states' share), the central resources mobilisation effort during the five years to 1973-74 is expected to yield Rs 3,200 crores. At the state's level, the resources mobilisation around Rs 1,050 crores may fall short of the target of Rs 1,098 crores. The receipts from special levies imposed for the relief of evacuees from Bangladesh, are not included in the above calculations.

(v) The price of coarse cloth can be contained effectively only if the present system of control is extended to a larger quantity of the total output. Between June, 1970, and June, 1973, whereas the general wholesale prices index has gone up by 32.4 per cent, that of coarse cloth has risen by 32.7 per cent. The government is looking into the question of introducing modern techniques of production to bring down costs.

(vi) The government is formulating a scheme to link the prices of nylon yarn to cost of production, curb speculation and ensure distribution at reasonable prices to actual users. The present difficult situation in regard to nylon yarn is primarily attributed to the global shortage of caprolactum. Efforts are being made by the State Trading Corporation to procure from abroad supplies to the extent possible.

(vii) The government has no proposal under consideration at present to nationalise commercial banks whose deposits have reached the level of Rs 50 crores. The deposits of Andhra Bank, New Bank of India, Vijya Bank and Punjab and Sind Bank have exceeded the above limit.

(viii) The centre has decided to utilise the spare refining capacity of the three foreign oil companies operating in the country, as an ad hoc measure, on the basis of paying a processing margin in order to meet the immediate requirements of petroleum products. The three companies have among them a spare capacity of about 2.5 million tonnes per annum.

(ix) The ministry of Railways is formulating an insurance scheme for payment of compensation to the extent of Rs 50,000 to the family of a passenger who dies in a railway accident.

(x) The government will grant licences to the private sector to produce an additional eight million tonnes of cement during the fifth Plan period, as the public sector would not be in a position to set up plants to meet the entire additional requirements. The total additional capacity required to meet the demand for cement, more or less fully, during the fifth Plan period is about 12 million tonnes. The public sector would set up capacity to the extent of four million tonnes. Letters of intent have already been issued to private sector for creating capacity to the order of about six million tonnes.

(xi) As against a demand of 75,00 cars during the current financial year, the three car manufacturing units in the country are expected to produce only 47,400 cars.

(xii) About 74 lakh persons were seeking employment in May last, according to the figures of registration with the employment exchanges in the country. The figure for December, 1972, was 69 lakhs, for December, 1971, approximately 5 lakhs and for December, 1970, nearly 4 lakhs. The growth of employment in the organised sector in 1971-72 was 2.8 per cent.

(xiii) The manufacture of small passenger aircraft is under the consideration of the government.

Gnomes, United Kingdom, and EEC

Jossleyn Hennessy
London

WINDOW ON THE WORLD

I

Gnomes of Zurich

OME YEARS ago Lord George-Brown ondemned the "gnomes of Zurich" as esponsible for the sterling crisis of the ay. Nowadays it is fashionable to blame ne malady of our times—inflationary rice rises—on the multinational companies, who are alleged to use their vorld-wide connections to evade the ational controls of individual countries. Many critics condemn multinational companies as "men without a country", caring nly about themselves and indifferent to ne interests of their host countries.

The investigation into the conduct of aultinational companies recently carried ut by the American customs authorities ends further support to this allegation. The point which achieved the widest publicity in this analysis was that at the end of 1971 multinational companies had hort-term liquid funds of US $ 268,000 nillion, double the entire official monetary reserves. If, however, their figures re correct, they would, in fact, suggest good behaviour by multinational companies on the international capital markets : even during the hectic days of he latest monetary crisis, the movement of funds across the exchanges was kept vithin much narrower limits and, in fact, ccording to other estimates, the actual iquid funds of multinational companies re far smaller, although it must be borne n mind that in times of crisis, and provided they are moved at the right time nd in the right direction, even a few nillion dollars are enough to spark off sizeable movements on the international foreign exchange markets.

But what this really goes to show is how unstable the international monetary system is at presest, a state of affairs which cannot be blamed on companies which seek to protect themselves against possible exchange losses by forward transactions. According to the findings of the American customs authorities, the financial transactions of multinational companies differ from those of their "national" competitors in one respect only : they are more adaptable and quicker! The cash management aims of international groups and those of the financial heads of national business are much the same. In each case they sensibly try to keep interest charges to a minimum and to avoid foreign exchange risks. The sole difference between the two types of business lies in the extent to which multinational companies take advantage of markets fluctuations in the various financial centres, and their mobility enables them to get by with comparatively limited funds. Within the framework of a group operating throughout the world, liquid funds can easily be switched to wherever they happen to be needed.

Nobody can complain about such switches as long as companies observe the laws of individual countries, especially the tax provisions of their mother and host countries. Nor can multinational companies be blamed for any harmful effects of undesirable—albeit not forbidden—currency movements. Money and capital movements as reflected in the balance of payments figures give n indication of their source or purpose. In point of fact, at times of monetary upheavals massive inflows of foreign exchange are reflected not so much in changes on current and capital accounts as in the statistical summary account "errors and omissions" of the balance of payments, and the figures of short-term capital movements provide no clue either as to their origin or purpose, or to which trade group they should be attributed.

Mr Otto Emminger, vice-chairman o the Bundesbank, recently corrected som wrong ideas about the "guilty parties" in the latest monetary crisis. He said that switches of dollars into D-marks inside international groups, or remittances by foreign subsidiaries to thei West German parent companies, accounted for only part of the dollars pouring into the Bundesbank. What seemed mor important to him were the short-term variations *in methods of payment i foreign trade.* In the first quarter of thi year alone they had been responsible fo a turn of DM 15,000 million in the residual items of the balance of payments Yet the high export ratio of West Germa industry as a whole does not justify th attribution of changes in the financin of West Germany's DM 280,000 millio worth of foreign trade annually, eithe solely or even principally to multinationa firms. The Bundesbank vice-chairma conceded that other central banks, too had exchanged dollars for D-marks unde the heading of "diversification of thei monetary reserves". Only during th final stage of the foreign exchange delug Mr Emminger felt, had there been "dash of genuine currency speculation".

II

Export of Jobs

Of longer standing even than the re proach of speculation is the widely-hel belief that multinational companies, abl to switch their investments short-term t other countries, can thus evade govern ment directives as well as changes i wage levels. The American trade union make a particular point of this; they se it as an "export of jobs". It goes with out saying that there are occasions whe production is switched to low-wag

countries this makes economic sense, and is encouraged in West Germany by tax concessions to aid development policy. Only in a few sectors of the economy do differentials in wage-levels play a dominant part, however, and even then in most cases only during the initial stages of a foreign investment. Moreover, it is not possible to reverse an investment policy decision based on such considerations; in other words when such wage differentials disappear you cannot close factories without suffering losses. Otherwise General Motors would give up its Opel investment, which it has held for decades, because the wage differential between American and West German car workers has levelled out recently. Even multinational companies enjoy but limited flexibility in their investment policy. True, compared with their competitors operating mainly on the domestic market, they are no doubt better placed to obtain and check all the data they need before setting up business in other countries. Once the decision has been taken, however, an investment of this type acquires its own entity and loses mobility. Wage differentials and differences in social legislation have little bearing on decisions to open up plants abroad, as lower labour costs are frequently offset by higher costs of other kinds and accordingly by lower rates of productivity than at home.

Where heavy capital investment is required to build up production, especially in a developing country, there is hardly any alternative to the use of multinational companies in the country concerned. The efficiency, the high level of technical research *and the willingness to accept a measure of risk* which characterise business operating world-wide, help to promote the growth of the world economy and largely offset any disadvantages on a national economic plane. International groups do so much pioneering work towards the creation of larger economic areas, world-wide integration and the international division of labour, that their growth should not be stunted by stupid administrative controls inspired by politically motivated myths about gnomes in Zurich and caricatures of shady international speculators extracted from some James Bond novel.

III

Britain takes up the Challenge

In the last seven months Britain has begun to take up the challenge of entry into the Common Market. The UK has established itself in the Community of the Nine as a powerful and significant member who has well-developed ideas on how the organisation should evolve in the years ahead. The UK has already had a significant impact on events. And on the economic side there are increasing signs that membership is influencing industrial decisions to the long-term benefit of the UK and of Europe alike.

The most obvious outward sign of UK membership is the fact that it is now fully participating in the Community institutions. British ministers are putting their view across at regular and frequent meetings of the EEC Council; British members of Parliament—or more accurately British Conservatives and Liberals, the Labour Party still having its head in the sand—are playing forceful and active roles in the European Parliament; in the Commission, Britons have been taking up key posts and two leading politicians of the UK—Sir Christopher Soames and Mr George Thomson—have assumed important responsibilities as European Commissioners. In addition, there is the increasing number of British people from other walks of life—notably representatives of interest groups and professional organisations—who are making their presence felt in Brussels. M. Jean Monnet, one of the founders of the EEC, commonly regarded as the "Grand Old Man of Europe", is said to have remarked that however much the British might argue between themselves the pros and cons of joining the Community, "once they are full members they will act as if they had invented it". Well, the British must admit that they did not invent the Community. It was a good idea, the merits of which they were regrettably slow in appreciating. But now that they have joined, nobody has been left in any doubt that they intend to play a full and active part, and one which matches their size and importance as a European country. The British are no wallflowers at the EEC party.

British influence

The ability of Britain to exert influence in the Community was demonstrated in the spring of this year, when the EEC was faced with a need to fix agricultural prices for the year ahead. Helped by the Torries in the European Parliament, the government was successful in ensuring that the price changes agreed were not such as to significantly raise the cost of food in Britain and elsewhere.

At a meeting of the heads of government of the enlarged Community in October, 1972, in Paris, guidelines were laid down for the future of the Community. The summit *communique* was no vague and "waffly" catalogue of aspirations, for as well as agreement on a number of important decisions in principle, a timetable for implementation was drawn up.

The most striking agreement of the summit was that the Nine states should by the end of this decade, transform the whole complex of their relations into a 'European Union'. As the British prime minister said subsequently: "Such a union will be the sum of the co-operative endavours of the member states and the results of their achievements. The work to which we have committed ourselves in the next eight years will entitle us to crown the results with the name of union".

As well as being a landmark for Europe as a whole, the Paris Summit was of particular significance for Britain. For the first time in the life of the Community, a British government took part in formulating the longer-term objectives of the organisation. After having been for so long outside the Community, and therefore on the fringe of the most significant force for progress and change in present day Europe, the UK has returned to the mainstream. The Summit meant that now the British are in the Community they are working for objectives which they have had a hand in drawing up. The Summit communique is a basis for action in the enlarged Community in much the same way as the original Treaty of Rome was for the Community in its early days (though of course from a legal point of view the Treaty remains the basic document).

commitment to goals

Mr John Davies, UK minister responsible for co-ordinating Britain's European policy, has made clear Britain's commitment to the goals of the Summit:

"..We must create a united Europe brick by brick—remove the barriers to trade, develop an agricultural policy which takes account of consumers as well as of farmers, evolve new regional, social and industrial policies, work out common attitudes in the field of foreign policy. And every decision—whether on sunflower seeds or economic or monetary union—is part of the process.

"This is not harmonising for its own sake. Rather we are selecting those areas where we believe it is in the interests of all that common policies and standards should be evolved. It is through this painstaking and laborious process of growing together and not through the establishment of theoretical blueprints for the future that the new Europe will be built.

"The British government is totally committed to this venture. Of course we all know that membership means the advancing of both national and Community interests.

"..I would like to make it quite clear

hat we regard it as an underlying British nterest that the programme agreed at the Summit should be carried out within the leadlines laid down. The benefits we xpect for the United Kingdom from the Community will be increased if the Com- nunity develops on the basis of that mbitious programme".

Of no less importance are the key issues of external relations now looming, in particular the trade negotiations in GATT. It is difficult to exaggerate the mportance of these talks either from the point of view of the economic and politi- cal stability of the western world or the ong-term economic world benefits which can accrue as a result of further trade iberalisation. At the same time it is perhaps too easy to forget how unsatis- factory would be the UK's position had t remained outside the Community. On its own the UK would have preserved some heoretical independence in the trade talks, but its voice would have been weak in comparison with the United States, Japan and the European Community. By being one of the Nine the UK has not only added further to the collective strength of Europe in the negotiations, but has put itself in an infinitely better position to exert influence for freer trade and to protect UK interests. As Sir Alec Douglas-Home remarked recently in a wider context :

"Can any one seriously suppose that the major powers of the world—the United States, Russia, China and Japan—would pay the close regard to our views which is now evident if we were not a member of the Community? Our membership gives us an authority and an importance which we could never possibly achieve on our own, and we are already reaping the fruits of this fact".

Entry into the Common Market has occurred at a time of vigorous expansion in the British economy; it is expanding at an annual rate of five per cent. British exports are booming, particularly to the Common Market. To suggest that these improvements are a direct consequence of joining the EEC would be clearly unjustified. For one thing the govern- ment's policies in other fields have much to do with the progress now being achieved. For another, the timescale for reaping the economic benefits of entry is to be measured in years rather than in months. At the same time there is no doubt that part of the new confidence expressed by the gathering momentum of industrial investment is due to the expec- tations which British businessmen now have in the Common Market.

Sources and acknowledgements : Sec- tions I and II of the foregoing sum- marises a report in the latest issue of the Economic Review of the Berliner Han- dels-Gesellschaft-Frankfurter Bank (D6 Frankfurt West Germany), but the bank is responsible neither for the emphasis and omissions of my summary nor for my interspersed comments based on a variety of sources.

Afghanistan: hard way to progress

Hardev Singh

A LITTLE before the recent political change- over in Afghanistan from monarchy to republic, the country's Parliament had approved the fourth five-year Plan, (1972- 77) which proposed to incur a develop- ment expenditure of around Af 31 billion, nearly 50 per cent more than the actual nvestment during the third five-year Plan (1967-72). The third Plan did not record much progress, partly because of the severe droughts during the years 1970 and 1971 leading to a sharp decline in the production of wheat, cotton and livestock. It has been estimated that during the five years, 1967-72, the per capita income re- mained static as the national income in- creased by nearly 11 per cent, to be cancel- led by a similar rise in population.

The arid landscape of Afghanistan has been slow to respond to the efforts to improve agricultural production. Of the total area of 64 million hectares just one eighth—8 million hectares—is under cul- tivation of which about two thirds are irrigated. Most of the cultivated area is irrigated by mountain streams which rely largely on snowfall and spring rains for their water supply. Nearly 50 per cent of the cultivable area is kept fallow every year.

Productivity in the field of agriculture remains low due to inefficient methods of farming, inadequate incentives to tenant farmers, lack of credit and low level of education. Poor communications and consequent insufficient marketing arrange- ments further reduce returns. It is only in recent years that improved methods of farming, utilisation of high yielding varie- ties of seeds and fertilizers have been pressed into service, with some positive results in irrigated areas.

Principal elements of the new agricul- ture programme were the distribution of around 62,000 tons of fertilizers to farmers during the agricultural year 1971-72. This programme also included provision of extension services, use of water pumps and other machinery. "Food-for-work" programme employed local labour in agriculture and other development projects with wages paid in terms of wheat. As a result of this programme and, in parti- cular, of the improved weather conditions, the production of wheat expanded during 1972. This had an effect on wheat prices, which came down considerably. The continuance of the programme during 1972-73 and beyond, however, was con- strained by the availability of financial resources for obtaining fertilizers. Hope- fully, the completion of the urea plant by the end of 1973 in Mazar-i-Sharif with an annual capacity of 105,000 tons will help to support the new agricultural production programme.

Main crops in Afghanistan are food- grains (wheat, corn, barley, and rice) grown in around 90 per cent of the area under cultivation, with wheat alone accou- nting for about two-thirds of the total. Cotton and fruits, the most important cash crops, contribute substantially to exports, whereas other cash crops such as sugarbeet, sugarcane, and oilseeds are of less significance.

Nearly 20 per cent of the population has been living on livestock production. Sheep are by far the most important live- stock, estimated at about 21 million head in 1971, of which 6.5 million were of the Karakul type. Sheep provided Afghanis- tan's two major export commodities—Karakul skins and wool—wool being also used for the production of carpets, another major export commodity. Other livestock includes goats, cattle, donkeys camels, and horses.

An important objective of the fourth five year Plan in the field of agriculture is to make the country' self-sufficient in

heat by the end of 1977. In view of the high transport costs for the import of cereals, self-sufficiency in an understandable objective. In recognition of the critical importance of irrigation for rapid growth in agricultural production in general and for preserving livestock in particular, the year 1972-73 witnessed an acceleration of construction work on the major irrigation projects such as Nongarhar, Sardeh, Parwan and Helmand

The problem of balance of payments has three main components. In the first instance there has been a relative slowdown of the economy with the consequent decline in traditional exports. Moreover, new items have not been added to the list of exports other than natural gas. It may be pointed out that surplus balance of payments in 1971 was an anomaly. Lack of food for animals and the possible famine deaths increased slaughtering and raised temporarily the exports of Karakul and other animal skins. The surplus balance of payment again reverted to deficit the following year.

external borrowing

The second factor affecting the balance of payments was the exceptionally heavy reliance on external borrowings for the financing of development projects. This has led to the accumulation of foreign debts. The problem of rising debt servicing is becoming acute. In the third place the decline in export earnings has coincided with a fall in foreign assistance from World Bank and some western countries.

The government of Afghanistan has been trying to face the problem and has taken some measures in this direction, which include a shift in development strategy towards quick yielding projects. It may be pointed out that the Afghan government has also obtained debt relief from the Soviet Union, its major creditor. The Soviet Union, it may be pointed out has been involved in the development in Afghanistan of electric power and irrigation projects, low-cost housing, mineral exploration, production of fertilizers and education. The government has also approached other creditors to reschedule debt repayment with favourable results.

The fourth five-year Plan (1972-77) stressed the need for increasing the exports of various items and a restraint on imports. The policies for export promotion might include changes in prices of export commodities. Export taxes and import tariffs might be revised so as to encourage exports and limit imports in line with the country's development policy.

There was a report of nore than usual interest in the newspapers a few days ago. It was to the effect that he Home minister's daughter-in-law had complained to the police that her name vas being fraudulently used for soliciting or collecting donations for charitable or other public purposes. She has a legitimate grievance no doubt and the police will obviously do their best to save her urther embarrassment by identifying and perhaps prosecuting those who may be causing her embarrassment by making unauthorised use of her name. The public interest, however, may not stop here. The question arises: Why precisely should the name of the daughter-in-law of the Home minister have come to be exploited in this fashion?

Other cabinet ministers too, I suppose, have married sons and, therefore, daughters-in-law as well. So far as I know, none of these other daughters-in-law has faced the problem which the Home minister's daughter-in-law is said to have trouble with. I wonder whether the racketeers, who may be exploiting her name, hit upon it by sheer chance or whether they have any special reason to believe that her name will be a particularly compelling money-spinner. I raise this query because Mr Uma Shankar Dikshit's name has been mentioned more than once in parliament itself in connection with activities relating to the mobilising of funds for the prime minister's party.

Writing in the 'Times of India' of August 6 on "corrupt" legislators and their ways and means of making money, Mr Ajit Bhattacharjea has done a statewise survey of political morals and manners which, he says, is based on reports from this newspaper's correspondents in various state capitals. Somewhere in this account he explains that "Tamil Nadu does not figure in this article only because the state correspondent is on leave." I notice that Delhi, of all places, does not figure in this article either.

Surely the explanation cannot be that the *Times of India's* correspondent in Delhi is on leave too. As a matter of fact, this newspaper has an entire news bureau functioning in Delhi and the chief of this news bureau is also stationed in the capital. Could it be that Mr Bhattacharjea was restrained by the technical reason that he was concerned only with politicians at the state level and that, since Delhi was the seat of the central government and also a union territory, it should be deemed to be outside the purview of this particular article? Or, could it be that....? But, why go on?

I doubt that anything more disastrous has happened to the Planning Commission since Mr Gulzarilal Nanda than Professor S. Chakravarty. Although the minister for Planning, Mr D. P. Dhar, himself, is, both by temperament and by assiduous self-indoctrination, a firm believer and an ardent practitioner of the graces of good living, including a regular quota of Scotch-and-soda and perhaps Scotch-and-water in the evenings, he seems to have been put under a wicked spell by his chief mentor in the Planning Commission, Professor Chakravarty. Being a genuine socialist, Mr Dhar, I am sure, is willing to concede that the good life must be for the widest possible sharing. It is therefore a pity that he has let his true nature be turned and twisted into all kinds of weird beliefs and attitudes by Professor Chakravarty for whom planning seems to have become an end in itself and not a means to the generation of economic growth or the dissemination of social welfare.

If Professor Chakravarty has his way, the textile industry in this country would be producing nothing but coarse or medium cotton cloth while all, except those who must buy the car which Mr Sanjay Gandhi may one day produce, will have to go about their business on push-bikes—assuming of course that Professor Chakravarty will allow enough bicycles to be produced in this country. I cannot of course accuse Professor Chakravarty of having invented the idea that resources can be mobilised for development by banning the production and consumption of what are subjectively described as luxuries or semi-luxuries but, whereas Professor Mahalanobis' concept of a capital goods-based investment programme involving a freeze on the production o consumer goods in the organised industrial sector, had at least the redeeming feature of a grand design, Professor Chakravarty's preoccupation with austerity as an engine of economic development has all the signs of a neurosis.

Here is a man in a big position thinking in an essentially small way, uninfluenced by all the industrialisation which thi country has after all achieved over th twenty or twenty-five years. Professo Chakravarty does not realize that th austerity approach, even if it could b assumed that it was relevant to the India economy of the second five-year Plar becomes a defeatist attitude when applie to the challenges and opportunities tha face the Indian economy during the re of the seventies or beyond. It is tru that currently the economic situation is bad shape, but this is mainly due to th mismanagement of the economy by th government in the last three or four year Even so there is nothing in what has go wrong which cannot be set right only the prime minister and her part would shed their political opportunis and irresponsibility. Simply because th present government or its advisers, such Professor Chakravarty in the Plannin Commission, cannot plan for the econom except at poverty-levels of production an consumption, it does not mean that th country should accept his prescriptio either as an ethical norm or as an econo mic necessity.

A high executive in a advertising firm was telling me the oth day that a survey conducted recently that firm indicated that the demand f consumer durables, such as sewi machines, bicycles and electric fans, h declined sharply in recent months. was emphasizing the point that the o take of items such as these was n merely dropping but had taken a de dive, denoting that the market outlo was changing basically. Profess Chakravarty would no doubt welco this trend as adding strength to the me arithmetic of his Plan models, but it obvious that even the government as su is not going to lose a night's sleep shou factories producing consumer durab find it necessary to close down one aft another. Right now, the pioneering cyc manufacturing firm in the country, nam ly, Hind Cycles, is being compelled close down its factory in Bombay becau the economics of its functioning are n in complete disarray due to factors largely beyond its control.

MOVING FINGER

VB

TRADE WINDS

State Loans

LOANS AMOUNTING to Rs 49.75 crores bearing 5.75 per ent interest per annum have een announced by 20 state overnments. The loans will e issued at par — that is Rs 00 per cent — and will open or subscription on August 27 nd close on August 31, or earier without notice, as soon as ubscriptions approximate to he amount of each issue. All 1e state governments reserve 1eir right to retain subscripons upto 10 per cent in excess of the notified amounts.

The loans will be redeemable t par after 12 years and inteest will be paid half-yearly on ebruary 27 and August 27 ach year. Interest in respect f all loans will be liable to tax nder the Income-tax Act, 961. Interest on government ecurities along with income in ie form of interest or divi- ends on other approved in- estments will be exempt from icome-tax subject to a limit f Rs 3,000 per annum and subct to other provisions of Secon 80L of the Income-tax Act, 961. The value of investments 1 the loans now issued togeher with the value of other revious investments in goernment securities and the ther investments specified in ection 5 of the Wealth Tax ct, 1957, will also be exempt om the wealth tax up to Rs 50 lakhs. The loans announce 1 are : Andhra Pradesh, Rs 1.75 crores; Assam Rs 5 ores; Bihar, Rs 10 crores; iujarat Rs 8.75 crores; Harana, Rs 7.25 crores; Himaal Pradesh, Rs 1.25 crores; mmu and Kashmir, Rs 2.25 ores; Kerala, Rs 4.25 crores; ladhya Pradesh, Rs 5 crores; laharashtra, Rs 11.75 crores; Manipur, Rs 1.25 crores; Meghalaya, Re 1 crore; Mysore Rs 8.25 crores; Nagaland, Rs 1.75 crores; Orissa, Rs 6 crores; Punjab, Rs 5 crores; Rajasthan, Rs 14 crores; Tamil Nadu, Rs 11.75 crores; Uttar Pradesh, Rs 26.50 crores and West Bengal, Rs 7.00 crores.

World Monetary Reform

Addressing newsmen here recently, the union minister for Finance, Mr Y.B. Chavan, expressed the hope that a new monetary world order "would be put in to action" by the end of September, 1974. He disclosed that definite progress had been made during the last month's Washington meeting of the Committee of Twenty (which he had attended on behalf of India) on what the developed world regards as the two most important issues—(i) the adjustment mechanism to prevent imbalances in the international monetary system; and (ii) currency convertibility. As regards the crucial question for the developing countries, namely SDRs-aid link, Mr Chavan stated that there was some discussion at the meeting. The deputies are to meet in Paris to work on the issue and put before the Committee of Twenty, which meets again in Nairobi a day before the IMF's annual session, a set of principles to see if agreement could be reached. Mr Chavan emphasised that real hard work still remained to be done at the technical level.

On the SDRs-aid link issue, Mr Chavan confessed that there was still firm opposition from West Germany, the United States and Japan, but two gains had resulted from the Washington meeting. First, although the West Germans were opposed to the link, who indicated that they would be willing to consider proposals to increase the transfer of resources to developed countries. Secondly, the developing countries agreed that SDRs should be allocated directly and not through IDA or any other international agency.

Referring to the food situation in the country, Mr Chavan stated that the country need not have any apprehension about the smooth working of the public distribution system in foodgrains. As a result of imports, which had been planned, adequate supplies of foodgrains, he assured, would be maintained during the next two crucial months. The foreign exchange position of the country try, he said, was quite comfortable. In an emergency, the country could even make use of its IMF quota.

The Oil Scene

Following further erosion in the value of the dollar in world currency markets, resulting in an upward revision in the posted prices of crude oil in the Persian Gulf area in terms of the agreement arrived at between the Organisation of Petroleum Exporting Countries and the international oil companies. In June, the three private oil companies having refineries, are understood to have approached the government for release of foreign exchange for import of crude at higher rates with effect from August 1. The increase urged by Burmah Shell and Caltex is understood to be 6.9 cents per barrel. Esso, it is learnt, has asked for a raise of 6.8 cents a barrel. Esso's current price for crude imports is about 13 cents lower than those of Burmah-Shell and Caltex.

Another important development that has taken place on the Indian oil scene is that the efforts of the government to diversify sources of crude are meeting with increasing success. Iran, it is learnt, has promised to supply crude oil directly to government or its agencies to the extent of three million tonnes for meeting the requirements of 1974 and 1975. Saudi Arabia has agreed to make available two million tonnes in 1974. The most important development, however, is Libya supplying two million tonnes of crude oil in 1974 and a similar quantity in 1975. Hitherto no imports of crude have been effected from this north African country. As already reported, Iraq will be supplying five million tonnes of crude oil in 1976, seven million tonnes in 1977 and 10 million tonnes in each of subsequent 10 years.

Exploration by the Oil and Natural Gas Commission in Iraq is expected to start this winter. A sum of Rs. 9.1 crores has been sanctioned by the government for this purpose. The total allocation asked for by the ONGC for the project is Rs 50 crores.

Libya is understood to have asked the government of India to make available 60 experts to run the oil refinery which is being put up there and also for planning and managing projects for oil marketing. These experts would work with Prega, the national oil Company of Libya. Some of the experts asked for are for the construction of pipelines.

There are indications that the Saudi Arabian crude prices for September will be upto, if not above, the full posted prices. Feelers in this regard are stated to have been sent out to Saudi Arabia.

ITC Research Centre

An integrated research centre has been set up by India Tobacco Company (ITC) at Bangalore at a cost of about Rs 50 lakhs. The centre was inaugurated recently by the governor of Mysore, Mr Mohan Lal Sukhadia

The centre will provide full range of services in basic and applied research and development in tobacco and cigarette manufacture from seed to

uoke. Research and development work in the fields of printing and packaging, marine products etc., will also be carried on at the centre. The centre's resources and expertise are proposed to be made available to any one in the cigarette industry who would desire that.

The sister concern of ITC in India the Indian Leaf Tobacco Development Company (ILTD), has been carrying on for the last 45 years research and development work concerning growing of tobacco. It pioneered the cultivation of flue-cured virginia tobacco which currently constitutes 85 per cent of the country's total exports of unmanufactured tobacco worth about Rs 60 crores annually. By 1961, a fully equipped research centre for this purpose had been developed at Rajahmundry in Andhra Pradesh. This centre produces pure seed for all types of cigarette tobacco and makes it available to farmers at subsidised rates. Various extension services are also provided by this centre to the tobacco-growing farmers. Besides helping in raising the production of flue-cured virginia tobacco, the ILTD has also assisted farmers in the frequently drought-striken Kurnool district of Andhra Pradesh in raising the output of sun-cured Natu tobacco.

Various other research and development activities—in manufacturing process, product development, import substitution, etc.—are also being carried out by ITC at its various establishment in the country, besides those at Bangalore and Rajahmundry.

Jodhpur Palace Hotel

An agreement was signed here recently between the Jodhpur House and Mr M. S. Oberoi for converting Umaid Bhawan—the residential palace of the former Maharaja of Jodhpur—into a luxury hotel. The palace at present has 60 rooms and suites. Eighty more rooms are proposed to be added to it by building an annexe so that the hotel can have 140 rooms. The construction of the annexe and the renovation and refurnishing of the palace are estimated to cost Rs 80 lakhs. The hotel will be ready to receive guests in October, 1974.

The palace has already got various facilities for tourists such as a ballroom in which 250 persons can be accommodated on a single table, a fully-equipped theatre, a billiard room, a huge underground swimming pool, squash and tennis courts, a golf course and facilities for horse riding. The entire building is centrally air-conditioned on evaporative cooling sytem, which provides cool but fresh air constantly.

Situated in the heart of Marwar, Jodhpur is connected with the rest of the country by rail, road and air services. It has various places of interest nearby, including Mount Abu—the home of Bhilwara temples—the famous Raunakpur temples, beautiful artificial lakes, which provide excellent opportunities for small game shooting, etc. One can also visit from here Jain temples in the desert cities of Barmer and Jaiselmer.

The Palace Hotel will be run by Mr M.S. Oberoi's East India Hotels. East India Hotels will be entitled to a two per cent service charge on the project's cost estimate and 15 per cent of the profit of the venture before tax as consultancy and service charges for running the venture. In course of time, the collaboration between the Jodhpur House and Mr M. S. Oberoi is expected to result in the setting up of a new chain of hotels at various places, including Udaipur, Jaipur, Varanasi and Bombay.

Registration of Units

The union government had announced in a press note of May 25, 1970, the procedure for registration of those industrial undertakings which are not required to obtain a licence under the Indusries (Development and Regulation) Act, 1951. In that press note, it was prescribed that an application for registration should be made at the time when the applicant placed orders for machinery etc., or took other preliminary steps for setting up the industrial unit. In case the applicant firm required clearance or assistance from the government in respect of other facilities e.g., import licence for capital goods, or foreign technical collaboration etc. required by it for implementation of the scheme, it was required to simultaneously make an application to the appropriate authority for grant of such facilities in accordance with the procedures prescribed in each case.

On a review of the position, it has been noticed that units which have been registered and had taken certain steps for establishing the undertaking have not been able to proceed further, as their proposals for import of capital goods and/or for technical collaboration were found not acceptable. In order to avoid such infructuous efforts it has now been decided that those industrial units which are not required to obtain an industrial licence under the current procedure, but which however require an import licence for capital goods and/or approval for foreign collaboration, should first obtain capital goods clearance and/or foreign technical collaboration approval, prior to their applying for registration with the concerned authorities. In future, applications for registration from such units would accordingly be entertained only after they had obtained the necessary approvals from the government for import of capital goods and/or for foreign collaboration.

Laminated Jute Goods

The government of India does not consider it necessary to fix any statutory prices for laminated jute goods. Following the examination of the Tariff Commission's 1972 report on the subject, it has decided that the fixation of statutory prices should be confined only to B. Twill ... and D.W. flour bags.

The following recommendations of the Tariff Commission, however, have been brought to the notice of manufacturers:

(1) The manufacturers should make all possible efforts to adhere to the use of polythene films of required specification.

(2) The industry should introduce some system of inspection so that the thickness of bitumen coating conforms to the specifications of the contracts.

(3) The industry should adopt necessary steps to avoid high wastage in paper whether due to handling or processing.

(4) The industry should take all possible steps to economise in fuel consumption.

The recommendation of the commission that the capacity of the industry should be assessed on the basis of the lamination process has been referred to the Jute Commissioner who will make such an assessment.

Besides the above recommendations, the Tariff Commission had recommended fair ex-factory prices for six types of fertilizer bags for the period ending December 31, 1974, and also for some other categories of jute goods. It had suggested that a 13 per cent return on capital employed would be fair and reasonable.

Sugar Output

According to the Indian Sugar Mills Association the total sugar production in the month of June, 1973 the ninth month of the season 1972-73 was about 27,000 tonnes as against 14,000 tonnes during the corresponding period last season. This brings the total production during the first nine months of the season 1972-73 to 3.79 million tonnes as against 3.05 million tonnes du...

ng the corresponding period st season. The off-take of gar from factories during e month of June, 1973 was bout 270,000 tonnes for inter-al consumtion and 26,000 nnes for exports as against 09,000 tonnes for internal nsumption and 24,000 tonnes r exports in the correspon-ing period last season. The tal despatches in the first ine months in 1972-73 was 57 million tonnes for inter-al consumption and 93,000 nnes for export as against 91 million tonnes for inter-al consumption and 127,000 nnes for export during the rresponding period last sea-on. The total closing stock f sugar with the factories on une 30, 1973 was about 1.72 illion tonnes as against bout 1.41 million tonnes on e same date last season.

ndianisation in Foreign Companies

The process of Indianisa-ion of superior positions in oreign companies carrying otal monthly emoluments xceeding Rs 2,000 as on Ja-uary 1, 1972, registered fur-her progress at all levels. During the ten-year period rom 1962 to 1972, while he number of Indians em-loyed in these companies ncreased by two-and-a-half imes from 2,869 to 10,155, he number of non-Indians eclined to nearly one-fourth rom 3,229 to 878. Accord-ngly, the percentage share f Indians in the overall em-loyment in foreign owned| ontrolled companies carrying otal monthly emoluments xceeding Rs 2,000 increased rom 47.0 as on January 1, 962, to 92.0 as on January , 1972.

There were as on January , 1972, 5647 Indian em-loyees and 75 non-Indian mployees drawing total onthly emoluments ranging rom Rs 2,001 to Rs 3,000 s compared to 5,179 Indians nd 103 non-Indians as on anuary 1, 1971. The percen-age share of Indians in the alary-group increased frac-ionally from 98.0 as on January 1, 1971, to 98.7 as on January 1, 1972.

While the total number of Indians drawing total monthly emoluments from Rs 3,001 to Rs 5,000 increased from 3,107 as on January 1, 1971, to 3,532 as on January 1, 1972, that of the non-Indians declined from 253 to 215 during the same period. The percentage share of Indians under the salary-group, therefore, increased from 92.5 to 94.3.

722 Indians were drawing total monthly salaries ranging from Rs 5,001 to Rs 7,000 as on January 1, 1972, as compared to 675 Indians a year ago. On the contrary, the number of non-Indians declined from 284 to 235 during the same period. On balance, thus, the percentage share of Indians in the total number of persons under the salary-group increased from 70.4 to 75.4 during the period.

Under the highest salary-group of above Rs 7,000, the number of non-Indians stood at 353 as on January 1, 1972, as compared to 434 a year ago. The number of Indians during the same period, on the other hand, increased from 248 to 254. Consequently, the percentage share of Indians increased from 36.4 to 41.8.

French Bank Rate Raised

The Bank of France on August 2 raised its discount rate from 8.5 to 9.5 per cent. The bank also increased its rate for advances against securities from 10 to 11 per cent.

Surgical Instruments Plants

The Surgical Instruments Plant of the Indian Drugs and Pharmaceuticals Ltd has made substantial progress during the last few years and according to the general manager, Mr R. Sundaracharlu, the plant was expected to 'turn the corner' in 1974-75, provided the government considered this plant as an export oriented light engineering industry and gave export subsidies. This, he added, could help the plant to capture the market even in the USA and establish reputation in this sophisticated field.

While the production programme in the year 1972-73 has been seriously upset by the massive power cut in the Tamil Nadu the production had increased substantially from 170,000 instruments in 1969-70 to 669,000 instruments in 1972-73. This improvement was marked in value, which increased from Rs 13.8 lakhs in 1969-70 to Rs 59.26 lakhs in 1972-73. Quantitatively, this would represent approximately 65 per cent of the rated capacity. The financial results of the Plant would improve only when the export market picked up with the assistance from the government. It has also been pointed out that even for the further diversification of production to meet the requirements of the Indian surgeons, exports of instruments would become a matter of necessity for economic production.

Oil Take-over in Iran

On July 31, Iran took over Abadan refinery, the largest in the world, from a consortium of western oil companies following approval by the Shah recently of a new law making Iran full owner and operator of her oil industry. Dr Reza Fallah, a director of the National Iranian Oil Company and head of the "take-over" commission took over the refinery and named an Iranian as the chief manager of entire refining operations in the south. The take-over process will continue. It will include the oil fields and other installations in Iran's nationalised southern oil industry that have been run since 1954 by a consortium of American, French, Dutch and British firms. The NIOC, chairman, Dr Manouchehr Eghbal, pointed out that all the consortium staff had been transferred to NIOC and that the new Iranian Oil Services Company had been formally established. The new law gives Iran full control and ownership of exploration, sale and marketing, and will increase the country's annual oil income from the present $2,800 million to $3,300 million next year.

Indian Chamber of Commerce

Mr B.M. Khaitan, President, the Indian Chamber of Commerce, Calcutta stressed the need for giving attention to the problems in the field of exports faced by 'traditional' industries along with 'non-traditional'. Mr Kaitan was addressing the first quarterly general meeting of the chamber in Calcutta recently. He felt that the distinction between 'traditional' and 'non-traditional' exports was becoming unrealistic, and pointed out that even non-traditional exports were unable to make much headway. He said that any industry subjected to harsh domestic treatment could not acquire competitive capability abroad. Mr Khaitan suggested the introduction of an export investment rebate to industry and added that a special and generous investment rebate should be permitted to industries which exported about 25 per cent of their production which could be increased for those who achieved higher exports. This, he felt, should apply to both 'traditional' and 'non-traditional' goods. Referring to the shortage of raw materials for industry, Mr Khaitan said that canalisation agencies of government had not succeeded in importing essential raw materials in time and at competitive prices. In the mean time, world prices had gone up considerably and supplies had become scarce. All this had affected production. He urged for a review of this policy.

Names in the News

Mr Hendrikus Witteveen a former Dutch Finance minister, was chosen on July 31 as the new head of the International Monetary Fund. Mr Witteveen will succeed Mr Pierre-Paul Schweitzer as the managing director of the Fund.

COMPANY AFFAIRS

Birla Jute

THE DIRECTORS of Birla Jute Manufacturing Co Ltd have enhanced the equity dividend to 14 per cent for the year ended March 31, 1973 from 12 per cent declared for 1971-72. A portion of the proposed dividend is likely to be exempt from tax in the hands of the shareholders. The dividend has been stepped up following handsome improvement in the company's performance during 1972-73. Gross profit during the year under review mounted up by about 17 per cent to Rs 5.07 crores from Rs 4.35 crores in the preceding year. Out of the gross profit, the directors have earmarked a sum of Rs 1.83 crores to depreciation reserve as against Rs 1.89 crores in 1971-72 while the allocation to development rebate reserve was reduced to 24.68 lakhs from Rs 66.04 lakhs in the previous year. The appropriation to taxation reserve was raised to Rs 1.55 crores from Rs 1.30 crores in 1971-72. This leaves a substantially higher net profit of Rs 1.44 crores as compared to Rs 50.22 lakhs in the earlier year.

The company's improved performance was largely due to better performance of the staple fibre division. The working of the company's jute mill was adversely affected due to difficult trading conditions and a steep fall in the production of jute goods due to power cut. The profitability of the staple fibre division had improved considerably due to sharp rise in production. The work on the Durgapur cement unit is proceeding satisfactorily and it is expected to commence production by April next. This unit will produce about six lakh tonnes meeting about 60 per cent of West Bengal's total cement consumption. At present the cement requirement of this state is largely met by Bihar and Orissa.

Universal Cables

Despite a modest fall in profits the directors of Universal Cables have stepped up the equity dividend to 16 per cent for the year ended March 31, 1973 as against 14 per cent paid for the preceding year. During the year under review gross profit receded to Rs 1.09 crores, registering a decline of Rs 0.08 crore over 1971-72. Out of the gross profit, the directors have set apart a sum of Rs 33.25 lakhs to depreciation reserve as against Rs 37.14 lakhs in 1971-72 while the amount set aside to development rebate reserve was reduced from Rs 7.85 lakhs to Rs 2.10 lakhs. Taxation absorbed Rs 41.74 lakhs as against Rs 40.50 lakhs in the preceding year. This leaves a lower net profit of Rs 31.64 lakhs as compared to Rs 32.44 lakhs in 1971-72 which has been transferred to general reserve out of which the proposed dividends will be paid.

Jiyajeerao Cotton

Jiyajeerao Cotton Mills Ltd has reported encouraging working results during the year ended March 31, 1973, with sales and profits, in particular, exceeding the previous year's performance by a handsome margin. With a spurt in sales from Rs 35.37 crores to Rs 39.68 crores, gross profit moved up sharply to Rs 6.67 crores from Rs 5.50 crores in 1971-72. The directors have, however, maintained the equity dividend at 11 per cent for 1972-73. Out of the gross profit the directors have appropriated Rs 142.28 lakhs to depreciation reserve, Rs 39.77 lakhs to development rebate reserve, Rs 69.43 lakhs for payment of gratuity and Rs 239.00 lakhs for taxation as against Rs 124.33 lakhs, Rs 23.46 lakhs, Rs 6.91 lakhs and Rs 220.00 lakhs provided respectively in 1971-72. This leaves a surplus of Rs 176.81 lakhs as compared to Rs 175.63 lakhs in the previous year and the entire amount has been transferred to the general reserve. The proposed equity dividends will absorb Rs 76.50 lakhs, same as in 1971-72, while preference dividends will claim Rs 9.30 lakhs the same as in the earlier year and will be paid out of the general reserve.

The performance of the textile division during the year under review was far better than in the preceding year. Profits of new spinning mills, spinning man-made fibre, too were quite satisfactory. The prudent policy of effecting continuous renovation and modernization of the mills as well as the diversification of its products by the manufacture of blended fabrics and production of improved and sophisticated varieties of cotton cloth have borne fruits. The blended fabrics manufactured by the company are quite popular and continuous efforts are being made to maintain and improve the quality of the fabrics. The fine varieties of cotton cloth are also finding ready consumer acceptance. Since renovation and modernization is a continuous process, further machinery valued at Rs 81.31 lakhs was installed during the year under review. The working of the textile division in the current year has so far been quite satisfactory.

The working of the chemical division during the year was hampered by a number of adverse factors. Frequent and drastic cuts in the supply of power and steam badly affected production. The position was further aggravated by a lightning strike and go-slow at the plant for 13 days in August-September 1972, as a result of which production and efficiency were disturbed for over one month. As a result of these problems there was a considerably fall in the output of soda ash and profits of the chemical division. Shortage of power and steam, along with acute scarcity of sweet water caused by severe drought conditions in the Saurashtra region have very badly affected production in the first quarter of the current year also. The company has purchased the thermal power plant at Porbandar which, is specially tailor-made to meet its requirements of power and especially steam. With the help of this plant, it should now be possible for the company to ensure continuous supply of power steam and sea water.

The government has still not cleared the company's application for expansion of soda ash capacity from 500 to 800 tonnes per day. It is highly paradoxical that while the application for expansion has been pending with the ministry of Petroleum & Chemicals for the last four years, soda ash is being imported from abroad to cover the shortfall in indigenous supply. Hence it is hoped that the government would sanction the expansion without any delay.

Polychem

Despite a handsome increase in turnover from Rs 7.29 crores to Rs 7.89 crores, the gross profit of Polychem Ltd for the year ended March 31, 1973 has dropped from Rs

.62 crores to Rs 1.47 crores. he steep increase in wage ill by and large accounted or the decline in profit. The irectors have proposed a divi-end of Rs 11 per share of Rs 0 which along with the ad oc dividend of Rs 1.80 per hare already paid brings the otal distribution for the year Rs 12.80 per share as aga-nst Rs 11 declared in 1971-72. he one-for-three bonus shar-s issued recently will rank or dividend for 1973-74. Out f the gross profit the directors ave appropriated a sum of s 23.47 lakhs to deprecia-ion reserve as against Rs 3.33 lakhs in 1970-71 while he allotment to develop-nent rebate reserve was re-luced from Rs 5.69 lakhs to s 2.68 lakhs. The provision or taxation amounted to Rs 5.50 lakhs as against Rs 75.00 akhs in 1971-72. After other djustments the net profit vorked out to Rs 44.82 lakhs s compared to Rs 44.05 akhs in 1971-72. The equity lividends will claim Rs 30.72 akhs. Rs 4.32 lakhs more han in 1971-72 while prefer-ence dividend will absorb Rs .33 lakhs, the same as in the preceding year, and will be paid out of the general reser-ve.

Indo-Burma Petroleum

Indo-Burma Petroleum Com-pany Ltd has under conside-ration several diversification programmes and it has ap-plied recently for a licence for the manufacture of synthe-tic detergents. The govern-ment's decision is expected to be received shortly. Moreover it is interesting to note that the company has improved its performance considerably during the past three years since it became a government company. With a capital ex-penditure of Rs 83.87 lakhs during the last three years, the company was able to more than double its sales, from 203,586 tonnes in 1969 to 456,849 tonnes in 1972. This growth rate was achieved by good management and as a result the rate of return after tax on capital employed has gone up from 6.20 per cent in 1969 to 21.10 per cent in 1972, thereby enabling the company to augment its re-serves by Rs 70 lakhs during this three-year period. Besid-es it has been decided to issue bonus shares in the ratio of nine shares for every 10 shares held. This was disclosed by the Chairman, Mr Kamaljit Singh while addressing the annual general meeting of the company.

There was a significant rise in company's retail selling points, increasing from 240 at the end of 1969 to 440 at the end of 1972. The growth in the company's sales in the first half of the current year has been about 13 per cent, a rate lower than in previous years due to shortages of pet-roleum products. However, the profitability growth is being well maintained and the first half year's figures show a good improvement over the same period of last year. The company's subsidiary Balmer Lawrie & Co. Ltd has turned the corner in 1972 and has earned a profit of Rs 19.46 lakhs as against a loss of Rs 20.58 lakhs in 1971. Conse-quently the directors have re-commended a dividend of se-ven per cent for 1972.

News and Notes

(Expansion and diversification)

Cellulose Products of India Ltd has embarked on a series of diversification programmes. The company has established a plant for the manufacture of modified tamarind kernel powder (MTKP) under the licence from ATIRA at Kath-wada Factory. The installed capacity of the plant is 2,250 tons year. The work in respect of the new project for manu-facture of 500 m. tons|year of polyvinyl alcohol (PVA) at Kathwada factory is in full swing. The building construc-tion work is nearing comple-tion. The project will be com-pleted by the end of October, 1973 and the plant will be put to trial run thereafter. The Company has received an Industrial Licence for manufacture of further 1200 m. tons|year of Sodium Car-boxy Methyl Cellulose (CMC) i.e. for the total capacity of 3,900 m. tons|year The com-pany is registered with the D.G.T.D., for manufacture of further 1200|1440 m. tons|year of Monochloroacetic Aci (MCA)|Sodium Monochloroa cetate (SMCA), i.e. for th total capacity of 3,000|3,60 m. tons|year of MCA|SMCA The company is at presen trying to achieve these en hanced capacities by bette utilisation of the existin plants.

New Issues

Bundy Tubing of India Ltd is setting up a plan at Makarpura Industrial Es tate near Baroda to manu facture Bundy-weld double walled copper coated tubings The company has been pro moted by Indian Tube, Tub Investments of India, Car borundum Universal, Tat Stewart and Lloyds an others. It has entered into technical collaboration agree ment with Messrs Bund Corporation, Detroit, USA Construction work is proceed ing apace and the compan hopes to commission th tubing plant—first phase—i December 1974. The secon phase would be the commis sioning of the copper coatin plant in early 1975. Th

ain users of the company's oducts are automobile and frigeration industries. At resent almost the entire re- uirements of the country are eing imported from Messrs undy Corporation of the SA and its associate con- ern in Australia. Bundy ndia will be in a posi- on to meet the entire equirements. The project is stimated to cost Rs 2.60 rores. To raise part of the esources required for the mplementation of the project he company will be approa- hing the capital market hortly with a public issue of Rs 51.0 lakhs comprising ,85,000 equity shares of Rs 0 each and 12,500 (9.5 per ent) cumulative preference hares of Rs 100 each, both t par.

Shree Mahavir Ispat Ltd s setting up a mini steel plant at Tarapur near Bom- bay. Immediately the compa- ny will be putting up a 4/5 tonne electric arc melting furnace with an installed ca- pacity of 9000 tonnes of mild steel ingots per annum. Later the company proposes to ac- quire another five-tonne elec- tric arc furnace to manufac- ture special and alloy steel castings and also set a rolling mill with a suitable installed capacity. Construction work is in progress and the plant is expected to go on stream by the end of the current year. To raise resources for financ- ing this Rs 59.50-lakh project the company is offering 1,20,000 equity shares of Rs 10 each and 3,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par to the public for subscription.

The list for this fully un- derwritten issue opened on August 9 and will close on August 22 or earlier but not before August 11. In view of the acute scarcity of steel ingots and billets and re-rolled sections the company does not anticipate any difficulty in marketing its products. The company expects a turnover of Rs 69 lakhs and a gross profit of Rs 13.03 lakhs in the first year of production. The directors are hopeful of dec- laring a maiden equity divi- dend of 10 per cent in the first year of its operations and raise it to at least 20 per cent in the following year.

Shree Proteins and Foods is setting up a Rs 78.92-lakh project at Broach, Gujarat, for the manufacture of edible proteins from cottonseed flour and nitrocellulose from cotton seed linters at a later stage. Initially a cottonseed proces- sing plant with delinting and decorticating capacity of 50 tonnes, with expelling capa- city of 100 tonnes and an extraction plant with a capa- city of 50 to 60 tonnes per day will be set up. The entire plant and machinery will be procured from indigenous sources. Moreover as the pro- ject is being established in a backward district in Gujarat it will be entitled to tax and other concessions. The project is expected to be commissioned early next year. To finance partly the cost of this project the company will be entering the capital market by the end of September with a public issue of Rs 15 lakhs, all in equity shares of Rs 10 each. The capital outlay on the project is estimated at Rs 78.92 lakhs and it will be met by the share capital of Rs 25 lakhs, long-term loan from GSFC of Rs 20.32 lakhs, de- ferred payment under IDBI scheme of Rs 3.60 lakhs and term loan from a bank of Rs 30 lakhs.

Ellora Steels proposes to make a public issue of 1,50,000 equity shares of Rs 10 each at par. The proceeds of the is- sue will be utilised to finance partly the company's scheme for the setting up of a mini steel plant at Aurangabad in Maharashtra with an install- ed capacity of 10,000 tonnes of carbon steel per annum. The capital outlay on the pro- ject is placed around Rs 68 lakhs and it will be met by the share capital of Rs 25 lakhs and term loans of Rs 43 lakhs. The plant is scheduled to go into production by May 1974. In the first year ending March 1975, production is es- timated around 6000 tonnes with a turnover of one crore of rupees, yielding a gross profit of Rs 29.50 lakhs. In the second year, 1975-76, the turnover is expected to be Rs 35.34 lakhs. The management is hopeful of declaring a rea- sonable dividend from 1974- 75, the first year of its opera- tions.

Company Meetings

General Papers Ltd: Regis- tered Office, 16, Armemian Street, Madras-1; August 24; 4.30 P.M.

Paper Mill Plant and Ma- chinery Manufacturers Ltd: M.C. Ghia Hall, Second Floor, Bhogilal Hargovindas Building, 18, Rampart Row, Bombay 400001; August 23; 4.00 P.M.

Bharat Steel Tubes Ltd: Hotel Oberoi Intercontinental, New Delhi; August 31; 4.00 P.M.

Licence and Letters of Intent

The following licences and letters of intent were issued under the Industries (Devel- opment and Regulation) Act 19.. during the five weeks ended June 2, 1973. The list con... the names and addresses of the licences, articles of manufac- ture, types of licences — New Undertaking (NU); New Arti- cle (NA); Substantial Expan- sion (SE); Carry on Business (COB); Shifting — and annual installed capacity.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Harichand Kashmiri Lal (Drum Works), 11, Najafgarh Road, New Delhi 15. (Delhi) — Drum Containers upto 50 litre capacity — 406 tonnes, — (COB); M/s Zenith Tin Works Pvt. Ltd; Clerk Road, Maha- laxmi, Bombay-34. (Bombay- Maharashtra) — Printed and Decorated General Line Tin Containers (other than con- tainers unprinted upto 18 litre capacity) — 9,000 tonnes; Open Top Sanitary Cans — 3,000 tonnes — (SE); M/s The Tata Iron & Steel Co. Ltd; Bombay House, 24, Bruce Street, Fort.

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher dividend			
Nagri Mills	December 31, 1972	14.0	12.0
Chase Bright Steel	March 31, 1973	7.0	6.0
Same dividend			
Navjivan Mills	December 31, 1972	Nil	Nil
Omega Cables	December 31, 1972	Nil	Nil
Permanent Magnets	December 31, 1972	12.0	12.0
Madhya Pradesh Industries	March 31, 1973	Nil	Nil
National Insulate's Cable	March 31, 1973	8.0	8.0
Kalpetta Industries	April 30, 1973	12.5	12.5
Midland Rubber	March 31, 1973	10.0	10.0
Chettinad Cement	March 31, 1973	Nil	Nil
Digvijaya Woollen	March 31, 1973	10.0	10.0
Ellora Engineering Company	March 31, 1973	12.5	12.5

Bombay-1. (Jamshedpur-Bihar) — MS Bolts, Nuts & Rivets — 50 tonnes — (COB).

Metallurgical Industries (Non-Ferrous)

M/s Hooseini Metal Rolling Mills Pvt. Ltd; 66/69, Narayan Dhuru Street, Bombay-3 (BR) (Bombay-Maharashtra) — Lead Sheets & Strips — 1420 tonnes; Copper & Brass Strips & Circles — 220 tonnes, Zinc Sheets — 15 tonnes; Aluminium Sheets & Circles — 510 tonnes. — (COB).

Electrical Industries

M/s Eastern Electronics (Delhi) Pvt. Ltd; 1-2, Industrial Area, N.I.T., Faridabad. (Faridabad-Haryana) — Electronics Test Instruments/Equipments — 5,000 nos. (Rs 85 lakhs); Selected Professional Grade Components — 13.5 lakhs — (SE); M/s Alfa Rubber Co. Ltd; Nagargaon; Lonawala, Distt: Poona. (Poona-Maharashtra) — ACSR/AAC Conductors — 800 tonnes — (COB); M/s Karamchand Premchand (P) Ltd; (Electronic Division) 89-92, Industrial Area, Naroda Ahmedabad. (Gujarat) — Oscilloscopes of 10 mcs. — 200 nos; Oscilloscopes of 15 mcs, — 200 nos; Oscilloscopes of 35 mcs. — 300 nos; Oscilloscopes of 100 mcs. — 300 nos — (NU); M/s Jain Miniature Bulb Industries, 18-A, Pokharpur, Kanpur-10, (Kanpur-UP) — Krypton Gas Filled Miner's Cap Lamps — 10,00,000 nos Neon Lamps — 20,00,000 nos. — (SE).

Telecommunications

M/s Eastern Electronics (Delhi) Pvt. Ltd; 1-2, Industrial Area, N.I.T., Faridabad. (Faridabad-Haryana) — Wire Wound Resistors fixed & Variable — 0.10 million — (NA); M/s Asian Electronics Ltd; Handloom House, 3rd Floor, 221, Dr D.N Road, Post Box No. 1863, Bombay-1. (Bombay-Maharashtra) — Wire-Wound Resistors — 2.0 million nos. — (NA); M/s Electronics Corpn of India Ltd; Industrial Development Area, Cherlapall Hyderabad-40. (Hyderabad; Andhra Pradesh) — Two-way Wireless Communication sets (HF, VHF, URF — 2 Micro-wave ranges) — 2,000 nos (NA).

Transportation

M/s Indian Carburettors, 14, K.R.S. Industrial Estates, Thiru Vottiyur, Madras-19. (Madras — Tamil Nadu) Carburettors — 50,000 nos (SE); The Acme Manufacturing Co Ltd; Wadala; Post Box No 7102, Bombay-31. (Wadala-Maharashtra) — Engine Valves — 18,00,000 nos — (SE); M/s Chowgule & Co Pvt Ltd; Morumugao Harbour, Goa. (Sirigao Yard — Goa) — Deep Sea Fishing Trawlers of 72 ft (Approx 21.9 meters) and above — 12 nos. — (NA).

Industrial Machinery

M/s New Field Engg. Co 702, Yashkamal, Sayajigunj, Baroda. (Gujarat) — Ejectros — Rs 100 lakhs — (NU); M/s Bharat Pump & Compressors (P) Ltd; 1st Floor, Chanakya Bhawan, Vinay Marg, Chanakyapuri, New Delhi-41. (Naini-UP) — Process Reciprocating & Centrifugal Pumps — 370 nos. for a tonnage of 2,800 — (NA); M/s G.R Engg. Works Pvt. Ltd; GR-House, 36-M, Vasanji Road, Bombay-59. (Hubli-Mysore) — Pharmaceutical Machinery such as Kettles, Vessels, Mixers, Blenders, Granulators, Mixing and Kneading Machines; Chemical Machinery as Pressure Vessels, Reaction Vessels, Heat, Exchangers and Distillation Columns; Distillation Plants for Industrial Alcohol Rectified Spirit, Rum Sprit and Silent Spirits, etc. — Total capacity worth Rs 40 lakhs — (SE).

M/s Sayaji Iron & Engg. Co Pvt. Ltd; Chhani Road, Baroda-2. (Baroda-Gujarat) — Asphalt Pavers & Finishers — 25 nos — (NA).

Miscellaneous Industries

M/s Metropolitan Footwear Industries Pvt. Ltd; 501, Prasad Chamber, Swadeshi Mill Compound, Behind Reay Cinema, Bombay-4. (Maharashtra) — PVC Footwear — 12 lakhs pairs — (COB).

Medical & Surgical Appliances

M/s Siemens India Ltd; 134-A, Dr Annie Besant Road,

Worli, Bombay. (Bombay—Maharashtra) — Dental X-ray Units — 120 nos — (NA); M/s Kundan Sons (India) Pvt. Ltd; S-2, Green Park Extension New Delhi-16. (Gurgaon-Haryana) — Heart Rate Cardioscope & Cardioscope — 150 nos; Synchro Trigger Defibrillator — 150 nos; Demand Pacemaker — 150 nos; Heart Rate Meter — 150 nos; Recorder — 200 nos Dual & Multi-Channel Recorders — 150 nos. —(NU).

Chemicals

M/s Tamil Nadu Chromates & Chemicals Ltd; 2-G, Nungambakkam High Road, Madras-34. (Arkonam - Tamil Nadu) — Basic Chromium Sulphate (BGT Powder) — 3,300 tonnes.; Sodium Dichromate — 2,500 tonnes; Sodium Sulphate — 2,400 tonnes — (NU); M/s Aniline Dyestuffs & Pharmaceuticals Pvt. Ltd; Mahalaxmi Chambers, 2nd Floor, 22-Bhulabhai Desai Road, Bombay-26. (Bombay - Maharashtra) — Alkylated Phenols (i.e. Monyl Phenol, Octyl Phenol and Heptyl Phenol) — 1,000 tonnes — (NA).

Dyestuffs

M/s Colour-Chem Ltd; Ravindra Annexe, Dinsha Vachha Road, 194, Churchgate Reclamation, Bombay. (Maharashtra) — Phthalocyanine Green (Organic Pigments) — 257 tonnes — (SE).

Drugs & Pharmaceuticals

The Fairdeal Corpn. (P) Ltd; Lakshmi Building, Sir P.M. Road, Fort, Bombay. (Bombay — Maharashtra)— Diamin Tablets (100 mg)—75 lakhs nos; Reparial Tablets—36 lakhs nos — (NA).

Textiles

M/s Incon (India) Ltd; Padam Vihar, C-24, Swami Jai Singh Highway, Banki Park, Jaipur. (Rajasthan) — Polypropylene Fibre Rugs & Carpets with a total capacity of 21,00,000 sq. yards — (NU).

Paper & Pulp

M/s Grace Paper Industries Pvt., Ltd; Shala Building, 28, Bank Street, Fort, Bombay. (Vapi-Gujarat) — Art Paper, Embossed paper and Boards, Teleprinter and mono-type paper, Creped and Dip Dyed tissue papers, Letherette papers, Laminated papers, Lacqured, Waxed and Gummed papers — 3,600 tonnes — (NU); Mr M.M. Chopra, B-258, Greater Kailash-II, New Delhi-48. (Bulandshahr - UP) — Laminated Paper & Board — 3,000 tonnes — (NU).

Sugar

The Chairman, M/s Shri Dhyaneshwar Sahakari Sakhar Karkhana Ltd; Kukena, Taluka Newasa, Ahmednagar. (Ahmedanagar-Maharashtra)— Sugar — 1250 tonnes crushing capacity of sugarcane per day. — (NU).

Fermentation Industries

M/s Indo-Lowenbruau Brewerie Ltd; 72, Ring Road, Lajpatnagar-III, New Delhi. (Faridabad-Haryana) — Beer. 50,000H L.— (NU).

Food Processing Industries

M/s Indian Dairy Entrepreneur Agricultural Co. Ltd, R-3, Tilak Marg Ashok Nagar, Jaipur. (Raniwada, Jalore-Rajasthan) — Infant Milk food 2,500 tonnes; Sweetened Condensed Milk — 3,000 tonnes; Whole Milk Powder — 1,500 tonnes; Processed Cheese — 300 tonnes. — (NU).

Leather and Leather Goods

M/s M.A. Khizar Hussain & Sons, 23, Mara Street, Malvisharam, Tamil Nadu. (91-Madras Bombay Trunk Road, Tamil Nadu) — Vegetable Tanned Hides — 80,500 nos; Vegetable Tanned Calf Skins — 2,65,000 nos; Vegetable Tanned Goat & Sheep Skins — 86,000 nos; Wet Blue Chrome Tanned Hides — 26,500 nos; Wet Blue Chrome tanned calf Skins — 51,000 nos; Finished Leather from Hides and Calf Skins — 4,000 nos — (COB).

Cement, Gypsum Products

M/s Asbestos & Jointings Mfg Co. Pvt. Ltd; Mistry Wadi, Parsa Panchayat Road, Andheri (E), Bombay-69. (Andheri (E) - Maharashtra) — Asbestos Jointing Sheets and Gaskets — 720 tonnes. — (SE).

Letters of Intent

Metallurgical Industries (Ferrous)

Mr Purshotamdas Dalmia, M-15, South Extn-II New Delhi-49 (Delhi) — H.T. Bolts & Nuts and H.T Precision Socket Head Caps, Screws, etc. — (NU); M/s Ashoka Cement Ltd; Times House, 4th Floor, 7, Bahadur Shah Zafar Marg, New Delhi (Shahabad-Bihar) — Alloy Steel Castings, Manganese Steel Castings and Carbon Steel Castings — 8,000 tonnes — (SE); M/s Hein Lahmann (India) Ltd; Post Box No, 745, 16, Hare Street, Calcutta-1. (Nagpur - Maharashtra) — Armoured Flexible Chain Conveyers — 12 nos; Stationary middle chain conveyors — 22 nos. — (NU).

Metallurgical Industries (Non-Ferrous)

M/s Indian Standard Metal Co. Ltd; I.S.M. Estate, Chinchpakli Cross Lane, Bombay-27 (Maharashtra) — Aluminium Die Castings of sizes above 4 Kgs. each — 410 tonnes. — (SE); M/s Universal Dairy, c/o Dr. D.V. Doshi, Gitanjali, N-Gawadia Road, Bombay-25. (Gujarat) — Aluminium Milk Cans (over 18 litres capacity) — 50,000 nos —(NU).

Electrical Equipment

The Triveni Engg. Works Ltd; National Insurance Building, (1st Floor), 5, Parliament Street, New Delhi. (Bangalore-Mysore) — Steam Turbines of various H.P. & Sizes — 96 nos — (NU); M/s Danfoss (India) Ltd; B-20-21 Industrial Area, Site No 10, Meerut Road, Ghaziabad-UP. (Ghaziabad-UP) — Boiler/Burner Controls & Accessories including Temperature Flame, & Ignition controls, Electronic Relays, Pumps, etc—3000 sets. —(NA); M/s English Electric Co of India Ltd; P.O. Box No 2, Palavaram, Madras. (Madras-Tamil Nadu) — Type SSRR3V Distance Protectio scheme Relays — 160 no Type VAM Automatic Sema phore Indicator or relays 1,400 nos—(SE); M/s Electro nic Cables Industries, 135, In dustrial Area, 'A', Ludhiana-3 (Gurgaon-Haryana) Hoo up & Interconnecting Wire — 18612 Kms; Shielde instrumentation strain Gag & Communication Cables – 5010 Kms; Aircraft & hig Temperature Wires — 510 Kms; Ultra thin teflon wires– 822 Kms Miniature coaxia cables — 1521 Kms; Multi conductor control cables – 7800 Kms; T.V Camera cab les — 304 Kms; ISI & UI approved cables — 4860 Kms Audio, sound & data cable —2130 Kms; Special purpos Electromagnetically shielded cables for defence, missile in dustries, X-ray cables low noise cables, etc. — 1221 Kms — (NU).

Telecommunications

M/s Satellite Engg. Ltd P.O. Maize Products, Kath wada, Ahmedabad-2. (Gujarat — Ceramic Capacitors — 20 mill. nos — (NU); The UP Stat Industrial Corpn. Ltd; 117/420 G.T. Road Post Box No. 413 Kanpur-2. (Uttar Pradesh) — T.V. Receivers — 5,000 nos — (NU); M/s Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay (B.R.). (Bombay-Maharashtra) — Miniature Potentiometer Indicators — 50 only. — (NA).

Transportation

M/s Victor Gaskets India Ltd; S-305, Agra Road, Mulund, Bombay-80. (Bombay-Maharashtra) — Piston Rings —3,00,00,000 (Three hundred lakh nos — (NA); M/s Automobile Products of India Ltd Lal Bahadur Shastri Marg Bhandup, Bombay-72. (Maharashtra) — Light Commercial Vehicles (4-wheelers — 50,000 nos — (NU); Mr P. Raghunatha Reddy, 10-5-64/5/4, Sriramnagar, Masab Tank Area, Hyderabad. (Andhra Pradesh) — Car tyre valves — 20 lakhs; Truck & Bus Tyre Valves — 30 lakhs; Motor Cycle/Scooter & Moped Tyre Valves — 10 lakhs; Valve

ores (Assorted) — 100 lakhs. alve Caps — 60 lakhs. (NU)

ndustrial Machinery

M/s Indequip Engg. Ltd; Reid Road, Ahmedabad-2. (Naroda, Ahmedabad, Gujarat) Automatic Screen Printing Carriages type TR-2, TAC-1, Tac 4—40 nos. — (NA); M/s Shalimar Wires & Industries Ltd; 27-A. Camac Street, Calcutta-16. (Uttarpara-West Bengal)— Fourdrinier Wire Cloth — 1,50,000 sq. meters. —(SE); Mr Rajkumar, B.E. (Mech), 15-A/17, East Patel Nagar, New Delhi-8. (Vizagapatnam-Andhra Pradesh)— Paper Machine 50 tonnes to 200 tonnes per day — 1 plant in 2 years; Paper machine for speciality paper in small size upto 50 tonnes per day — 1 plant per year—(NA); M/s New Standard Engg. Co. Ltd; N.S.E., Estate Goregaon East, Bombay-68. (Bombay-Maharashtra) — Bale Peeler, (Plucker, Loader, Chuck Feed, etc., worth Rs 1.01 crores (One hundred and one lakh — (NA); M/s Calico Industrial Engineers, 20-A, Chakala, Andheri, Bombay-55. (Andheri-Maharashtra) — Fabric Automatic Shearing & Cropping Machines — 9 units — (NA); M/s Vijay Tanks & Vessels (P Ltd); Haji Adam Mansion, Homji Street, Fort, Bombay-1. (Bombay-Maharashtra) — Paper & Pulp Machinery upto 150 tonnes per day capacity — 4000 tonnes. — (NA); Mr. R.G. Gupta, M/s Tex-Electro Instruments Mfg. Pvt. Ltd; 20, V-Nariman Road, Bombay-1. (Ahmedabad-Gujarat) — Automatic yarn tensile strength tester (Model-Fy-17) — 15 nos; Electronic yarn evenness Tester (Model Fy-26 & 27) — 15 nos; Grease Recovery Tester — — 30 nos; Mapcard—30 nos; Labormixer — 30 nos; Fibre bunch tensile strength tester —10 nos — (NU); Mr V.J. Jayaraman, B.Sc. B.S., (Textile Engg), A.T.T. Colony, Coimbatore-18. (Tamil Nadu/Mysore)—Two for One Twisting Machines—Various Models — 60 nos. — (NU); M/s Saru Smelting Pvt. Ltd; Sardhana Road, Meerut (UP). (Meerut-Uttar Pradesh — Fourdrinier Wire Cloth range upto 5500 mm — 1,00,000 sq metres (NU). M/s Evergreen Wirecloth Factory Pvt Ltd; 151-155. Shamlal Gandhi Marg, Bombay-2 (BR). (Bombay-Maharashtra) — Gava Separator (Gas, Vapour Separators) i.e., Demisters — 50 tonnes valued at Rs 30 lacs. — (N A).

Machine Tools

Mr Jashbhai M. Patel, 11, Nirmal Nivas, No. 1 — Building, Gowalia Tank Road, Bombay-26. (Gujarat) — Thermoplastic Extruders — 30 nos — (NU); M/s Nuchem Engg. Ltd; 54, Industrial Area, Faridabad — NIT. (Faridabad-Haryana) — Thermoplastic Extruders — 60 nos; Post Extrussion Equipment — 60 nos — (NU); Mr J.N. Parikh 6, Suflam Flatas, Near Mithakhali under-bridge, Ashram Road, Ahmedabad-9. (Ahmedabad-Gujarat) —Plastic Extrusion Units with post extrusion equipment — 40 nos — (NA). M/s Mukund Iron & Steel Works Ltd; Belapur Road, Kalwa, Thana, Bombay. (Thana-Maharashtra) — Rolling Mill Equipment having Rolls smaller than 16-- in diameter — 7 nos — (NA); M/s K.G. Khosla & Co. Pvt. Ltd; 1, Deshbandhu Gupta Road, New Delhi-55. (Ballabgarh-Haryana) — Chipping Hammers — 12000 nos. Grinders — 1200. — (NA); M/s New Bemco Engg. Products Ltd; Khanpur Industrial Estate, P.O. Udyambag, Belgaum. (Belgaum - Mysore) — Hydraulic Presses upto— 10,000 tonnes capacity — 1.50 crores. — (SE).

Chemicals

M/s Bharat Pulverising Mills (P) Ltd; Hexamar House, Sayani Road, Bombay-25. (Maharashtra) — Aluminium Phosphide 120 tonnes. — (NA); M/s Bharat Pulverising Mills (P) Ltd; Hexamar House, 1074, T.H. Road, Madras-19. (Tamil Nadu) — Aluminium Phosphide — 60 tonnes. — (N.A.); M/s Garware Plastics (P) Ltd; 50-A, Central Salaette Road, Western Express Highway, Vile Parle (East), Bombay. (Thana-Maharashtra) — Polyester Film — 300 tonnes. — (NA); M/s Mewat Metal Powders (I) Pvt. Ltd; Haresh Chambers, 313/19, Samuel Street, Bombay-3. (Udaipur - Rajasthan) — Dicyandiamide — 2,000 tonnes — (NU); M/s Pesticides India, Post Box No. 20, Udaipur. (Rajasthan) — Malathion Technical — 300 tonnes — (NA); M/s Bombay Wire Ropes Ltd; 401/405, Jolly Bhavan No 1, 10, New Marine Lines, Bombay-20. (Tarapur-Maharashtra) — Activated & Precipitated Calcium Carbonate — 10,000 tonnes — (NU); M/s Plastics & Allied Products, 93-B, Co-operative Industrial Estate, Govind Nagar, Kanpur. (Uttar Pradesh) — Rigid Polyurethane Foam Laminates — 16.50 lakh sq. metres — (NU).

Textiles

M/s Kolhapur Zila Shatkari Vinkari Sahakar Soot Girni Ltd; Ichalkaranji, Dist. Kolhapur. (Ishalkaranji - Maharashtra) — Cotton Yarn — 25,000 spindles. — (SE); M/s Vishwa Bharati Spg. & Wvg. Co-operative Society Ltd; Bhiwandi, Dist: Thana. (Bhiwandi-Maharashtra) — Cotton Yarn — 25,000 Spindles. — (SE); M/s UP Co-operative Spg. Mills Ltd; Mainpuri Road, Etawah (UP) — Cotton Yarn — 25,000 spindles — (SE); M/s Deccan Co-operative Spg. Mill Ltd; Ichalkaranji, Dist: Kolhapur. (Ichalkaranji-Maharashtra) — Cotton Yarn — 25,000 spindles. — (SE)

Food Processing Industries

M/s Aurofood Pvt. Ltd; P.O. Auroville, Via: Pondicherry. (Tamil Nadu) — Infant Milk Food — 2,500 tonnes. (Malted Milk Food — 1,500 tonnes — (NA).

Vegetadle Oil & Vanaspati

M/s Power Cables Pvt. Ltd; (Chemical Division), 24, Brelvl Sayed Abdulla Road, Bombay-1. (Gujarat) — Cotton seed oil — 30,000 tonnes, Edible cotton seed protein Flour — 3,300 tonnes; Groundnut oil 30,000 tonnes; Groundnut Protein Isolate — 4,500 tonnes — (NU).

Leather and Leather Goods

M/s Ranida Prime Tannery, 8, V.V. Koil Street, Periamet, Madras-1. (Madras - Tamil Nadu — Finished Leather — 7,50,000 nos — (NA).

Timber Products

M/s Haryana State Industrial Development Corpn. Ltd; Post Box No 22, Sector-17, Chandigarh-17. (Karnal-Haryana) — Ricehusk Boards — 1,500 tonnes. — (NU).

Change in Names (Owners or Undertaking)

(Information pertains to particular licences only)

From M/s Cema Pvt. Ltd; Unique House, 4th Floor, 25, Brelvi Sayed Abdulla Road, Bombay-1 (BR) to M/s Power Cables Pvt. Ltd; 84, Golf Links Area, P.B. No. 3004, New Delhi; from M/s Jayashree General Agencies, Alkapuri Complex, Calicut. to M/s West Coast Oxygen Ltd; from 11/9 D.S. Patel, Yusuf Building, Mahatma Gandhi Road, Fort, Bombay-1. to M/s Indian Pharma Caps & Chemicals Pvt. Ltd; from M/s Raptakos, Brett & Co Pvt. Ltd; Bombay. to M/s Raptakos, Brett & Co. Ltd; Bombay; from M/s United Auto Tractors Pvt. Ltd; New Delhi. to M/s United Auto Tractors Ltd; New Delhi.

Licences Revoked Surrendered.

(Information pertains to particular licences only)

M/s Sirsilk Ltd; Sirpur — Kaghaznagar — Acetate Rayon Yarn; M/s East Barabani Coal Co. Ltd; Calcutta — Coal; M/s Ramkumar Mills (P) Ltd; Sudhama House, Checkpet, Bangalore-2A. — Cotton Cloth; M/s Sri Lakshminarayana Textiles (P) Ltd; Ganapathy Post, Coimbatore. — Cotton Yarn; M/s Unichem Laboratories Ltd; S.V. Road, Bombay-60. NB — Ferrous Fumarate; M/s Somaiya Organic (India) Ltd; Fazalbhoy Building, 45-47, Mahatma Gandhi Road, Post Box No. 122-A, Bombay-1 — Butanel (Butyl Alcohol).

Readers' Roundtable

Impact of Inflation on Wages

r—The price explosion which
: are facing in India today
partly an act of God and
irtly man-made. The eu-
horia created by the much
iblicised "Green Revolution"
ter years of dependence on
L 480 made us complacent.
he unforeseen years of drou-
it further aggravated by un-
pected involvement in con-
ontation with Pakistan on
ehalf of Bangladesh have,
erefore, shattered our hopes
ith dire economic conse-
iences.

In the favourite game of
ooking for scapegoats, res-
onsible for galloping inflation,
e seem to have exhausted the
st of possible culprits, rang-
ig from evil effects of
L 480 to the nefarious
ction of monopolists and the
isdeeds of black-marketeers
nd hoarders. For a decade,
he leftists argued that one
ngle factor responsible for
flation was the operation of
L 480. It is now nearly
nree years since we abandon-
d food and commodity im-
orts under PL 480 to find
hat far from checking the in-
ationary trend, we have been
xposed to severe price explo-
ion.

Like a desperate physician
earching for symptoms res-
onsible for a mysterious
nalady, we are prescribed des-
erate remedies in the form of
arieties of controls. These
nclude a premature takeover
f distribution of a variety of
ecessities of life, without
aving a well thoughtout
nachinery for control and dis-
ribution. Such haphazard
ontrols are a boon to the
vell-experienced and proficient
lack-marketeer. Every con-
rol which is not fool-proof is
God-given opportunity for
im to exploit heartlessly the
onsumer, particularly the
ulnerable section of the
ociety. That section has not
he resources of black money
with which certain type of consumers willingly support the free market price, thus further accentuating the tempo of inflationary trend.

In search for culprits, the manufacturer of consumer goods is a handy scapegoat. He is defenceless in Parliament having no support from a powerful lobby of the type which farmers and agriculturists enjoy today backed by the prospect of a colossal electoral support.

Take for example an item like cloth with which I am familiar and around which a controversy rages. The villain of the piece there is the millowner. He is roundly accused by the trader, the consumer and the politician alike for the rising price of cloth. It is conveniently forgotten that it is the only industry which subsidises the controlled cloth representing 12 per cent of its total production from its own resources by offering it to the vulnerable section of the society well below cost. Moreover, it exports 16 per cent of its total production under governmental compulsion. Incentives for such exports are also financed by the textile industry from levies imposed on imported cotton and or spindles and looms. Whilst Parliament is crying hoarse advocating stringent price control for the remaining 72 per cent of the production one hardly hears a whisper from the parliamentarians regarding the mounting price of cotton which has gone up according to commodity price index from 103.5 per cent in the year 1963 to 177.5 per cent in the year 1972. Cotton alone on an average represents 45 to 60 per cent of the total cost of cloth. It is nothing short of double-standards of justice to vax eloquent in the advocacy of stringent control of cloth prices and conveniently ignore the increase in cotton prices except enforcing floor price supports when cotton presents a buyers' market.

When it comes to freezing prices, everybody thinks he can avoid getting hurt. Labour's real wages, profits of business, public expenditure, etc. must keep going as usual. Then from where is the sacrifice to come to the rescue of the consumer? Faced with the dilemma of price freeze each one tries to throw mud at the other. The government wants its pound of flesh in terms of mounting taxes in order to keep pace with the mounting public expenditure. The industry is expected to submit to a price control, on an empirical cost plus basis with the uncertainty of not knowing what that "plus" is going to be. In the crisis of the kind we are facing, if our trade unions were to accept the impact of the act of God such as drought and power shortage and recognise the shrinkage of production resulting from such factors, wage increases would be moderate. But have they ever conceded that such contingencies demand a sacrifice on their part by way of their social obligation?

Let us take for example any manufacturing unit. There are three parties interested in its well-being viz., labour government and shareholder. The wage-earner and the administrative staff is an important component by virtue of their interest in employment prospects; the shareholder because of his investment. The state and central governments and other public bodies like municipality are interested in the

prosperity of the company for the taxes they hope to collect from profits by way of income-tax and numerous excise and other levies regardless of profit. The only party whose share is contingent on profit, is the shareholder. When inflation overtakes our economy, it is familiar for the labour to shout most. Since his wage is supposed to be based on his needs, it must neutralise his needs on the basis of cost of living index, regardless of any profit earned by the company. Recently, he has secured further 8.33 per cent of his wages by way of "bonus" an element which was originally intended to be a share in profit. The worker has also recently got a windfall by way of enhanced gratuity by inclusion of dearness allowance in computing the quantum of gratuity.

Whilst the worker insists on protecting himself against the onslaught of inflation, he contemptuously ignores the claim of the shareholders amongst whom are millions of small holders with extremely modest income. Quite a large proportion of them has no earned income being old retired employees and widows. They are the worst victims of inflation. Should they not have a claim identical to that of the worker to neutralisation of their cost of living, through higher dividends? It is, however, a startling revelation to me that they are the worst victims of inflation from a simple statistical survey I have tried to make which I venture to present herewith. In this exercise, I have tried to analyse the respective share of the three parties viz., the labour, the government and the shareholder. I have tried to separate the salaried employees from the worker, knowing as I do the familiar allegation that the labour cost is often inflated by inclusion of the extravagant salaries of the administration. The figures presented here are audited figures of the three textile units of the Tata Group (excluding Empress Mills at Nagpur). This mill, having paid no dividends for years, may present a distorted picture, although there the wage and fringe benefits index has risen from 100 in 1962-63 to 201 in 1971-72. All the units are purely cotton textile units and, therefore, labour intensive unlike synthetic fibre units which have substantially small labour force. This modest research covers a period of last ten years which is a long enough period to convey a trend in order to come to some definite conclusions. The figures speak for themselves and show to what extent the labour is the greatest beneficiary and the shareholder is the most unfortunate victim of the industrial enterprise.

The tragic part of the story is that, despite being the biggest beneficiary, the worker has traditionally moaned and accused the industry of exploiting labour. In presenting these figures of our three textile units, I do not claim that this is a common pattern in all units and in all industries. In order to find out the validity of the conclusion, I have arrived at, the Employers' Federation of India (EFI) has initiated a study on these lines for other units in a variety of industries.

I would indeed be grateful if other industrial units through similar survey, inform the EFI how far my conclusions are corroborated through their studies. I would indeed be happy to be proved wrong that my conclusions are not substantiated to the effect that the labour has received the biggest share of the cake.

Bombay Naval H. Ta

Share of Labour, Government and Shareholders in Three Tata Textile Companies

Year	Total of labour, taxes & earnings of shareholders		Wages and fringe benefits (including calculated retirement benefit)			Salaries & fringe benefits (including calculated retirement benefits)			Share of govt. (i.e. Income tax & excise)		Earnings of shareholders (incl. transfers to reserve)	
	Rs lakhs	Index 1963 =100	Rs lakhs	Rs/ worker/ month	Index 1963 =100	Rs lakhs	Rs/ worker/ month	Index 1963 =100	Rs lakhs	Index 1963 =100	Rs lakhs	Index 1963 =100
1963	693.78	100	325.54	218.04	100	65.05	572.26	100	247.47	100	55.72	
1964	761.04	110	376.00	249.68	115	78.77	671.16	117	261.64	106	44.63	
1965	765.85	110	394.07	270.95	124	83.05	689.33	120	263.99	107	27.74	
1966	944.83	136	429.77	291.69	134	94.79	758.09	132	368.38	149	51.89	
1967	997.92	144	470.74	323.07	148	104.23	820.21	143	384.96	156	37.99	
1968	1058.67	152	540.35	337.43	155	109.83	864.24	151	387.81	157	20.68	
1969	1089.49	157	548.94	351.26	161	118.83	932.45	163	384.93	156	36.79	
1970	1299.39	187	617.36	378.11	173	129.56	980.59	171	484.22	196	68.25	
1971	1263.25	182	644.89	391.67	180	137.09	1016.41	178	422.62	171	58.65	
1972	1364.23	197	695.46	421.25	193	153.88	1101.65	193	452.77	183	62.12	

RECORDS AND STATISTICS

ower supply osition in July 1973

VITH THE onset of monsoon, here has been progressive nprovement in the power upply position throughout ne country. In a note preared by the ministry of Irriation and Power for the onsideration of the Central lectricity Consultative Counil at its fourth meeting held n the Capital on July 28, the nost important developments vere:

Inflows into the Bhakra eservoir continue to be extraidinarily good. As a result, ne level of the Govindsagar ake (Bhakra reservoir) is at ne present time about 42 etre higher than that at this me last year. This has enabl-d the Bhakra System to proide adequate power supply all the states and union rritories which depend on it nd also provide relief to Uttar radesh. The power suppiy Nangal Fertilizer Factory as been stepped up to 3 IU/day corresponding to 124 IW.

With increased generation om its own power stations nd relief afforded from hakra System, the restrictions Uttar Pradesh have been artially relaxed. The posion, however, continues to be rave as inflow into Rihand reservoir has not yet commenced.

The power supply position in Maharashtra has improved and as a consequence the peak load restrictions that had been imposed have been withdrawn.

The Power cuts in Mysore and Rajasthan have been removed.

With the improvement in power supply position, power cuts in Andhra Pradesh and Tamil Nadu have been partially relaxed.

The power availability in the DVC System continues to fluctuate due to forced outage of generating units. Necessary steps have been taken to improve the quality of fuel supplied to the thermal stations. Furthermore, relief has been sought from Bihar and West Bengal state electricity boards to the DVC System to enable them to provide adequate power supply to railway traction and priority industries such as coal mining, washeries, steel, etc.

The power supply position anticipated during the month of July, 1973 is presented in table alongside. With the anticipated strenghthening of the monsoon, the power supply position would ease considerably in most of the states. The only states where there is still significant power shortage are Uttar Pradesh, Andhra Pradesh and Tamil Nadu. If the monsoon turns out to be above the average in Kerala and Mysore these states should be in a position to provide relief to Andhra Pradesh and Tamil Nadu.

Power Supply Position—July 1973

(All figures in MU/day)

State	Requirement	Availability	Deficit	Deficit in lart Month (June 1973)
Northern Region				
Haryana	5.10	4.70	0.40*	0.35
Himachal Pradesh	0.64	0.64	—	—
Jammu & Kashmir	1.18	0.81	0.37	0.37
Punjab	8.10	7.80	0.30*	0.92
Rajasthan	4.80	4.20	0.60	0.12
Uttar Pradesh	23.40	21.50**	1.90	4.00
Delhi	5.20	4.80	0.40	0.45
Chandigarh	0.47	0.42	0.05	0.05
Nangal Fertilizer	3.00£	3.00	—	—
Total:	51.99	47.87	4.02	6.26
Western Region				
Gujarat	13.00	13.00££	—	—
Madhya Pradesh	8.00	8.00	—	0.30
Maharashtra	30.00	30.00££	—	5.80
Goa	0.50	0.40	0.10	0.20
Total:	51.50	51.40	0.10	6.30
Southern Region				
Andhra Pradesh	11.42	8.92	2.50	2.39
Kerala	6.08	6.18	0.10(+)	—
Mysore	14.00	13.00	1.00	3.38
Tamil Nadu	24.00	21.14	2.86	8.73
Total:	55.50	49.24	6.26	14.50
Eastern Region				
Bihar	6.40	6.40	—	1.23
West Bengal	13.50	13.00	0.50@*	0.51
DVC	13.50@	12.62@@	0.88@*	2.20
Orissa	5.64	4.92	0.72	1.45
Total:	39.04	36.94	2.10	5.39
North-Eastern Region	1.40	1.40	—	—
All-India: Total	199.33	186.85	12.48	32.45

*There was no shortage in Haryana at the end of June, 1973 and in Punjab throughout the month of June, 1973. The requirement depends on intensity of monsoon and if the monsoon is good there may not be any shortage in these two states.

**Availability includes relief from Bhakra (1.5 MU/day).

£Requirement corresponds to restricted power supply of 124 MW.

££Relief of 2 MU/day from Gujarat to Maharashtra taken into account.

@DVC requirement includes demands from outside the valley which are met by them.

@@DVC availability includes relief from Bihar and West Bengal. The power generation of DVC is still subject to fluctuations.

@*Shortage is mainly on account of peaking capacity.

Statewise Power Generation

IN ANSWER to a question in the Rajya Sabha on July 23, the deputy minister in the ministry of Irrigation and Power, provid statistical information regarding the percentage of power generation during each of the last four years in every state through hydr thermal, atomic and diesel generators and the unit generation cost in each case separately. The tables embodying this informat are given below:

Statewise Power Generation : 1968-69—1971-72

Name of the state/ union territory	1971-72 Percentage Generation.					1970-71 Percentage Generation.				
	Total generation million kWh.	Hydro	Steam	Atomic	Diesel	Total generation million kWh.	Hydro	Steam	Atomic	Diese
1	2	3	4	5	6	7	8	9	10	11
States										
Andhra Pradesh	3136.1	41.9	58.0	..	0.1	29374	51.1	48.9	..	Ne
Assam	425.1	45.0	..	..	55.0	369.0	42.9	..	..	57.
Bihar	1586.2	0.2	99.4	..	0.4	1372.3	0.1	99.2	..	0
Gujarat	4048.1	..	81.7	14.7	3.6	4176.2	..	69.5	28.9	1.
Haryana	2059.7	80.0	19.9	..	0.1	1847.6	78.7	21.2	..	0.
Himachal Pradesh	148.7	100.0	..	..	Neg.	61.9	99.7	..	..	0.
Jammu & Kashmir	182.0	82.3	12.8	..	4.9	168.2	84.5	10.3	..	5.
Kerala	2293.1	100.0	..	..	..	2137.0	100.0	..	..	..
Madhya Pradesh	2896.4	17.3	82.7	..	Neg.	2754.4	17.1	82.9	..	Neg
Maharashtra	10314.0	48.6	45.6	5.8	Neg.	9134.3	49.6	37.1	13.3	Neg
Mysore	4931.9	100.0	Nil.	..	Neg.	4754.3	100.0	..	..	.
Nagaland	0.6	..	..	..	100.0	0.7	..	..	..	100.
Orissa	1826.3	71.7	28.3	..	..	1765.9	70.3	29.6	..	0.
Punjab	2787.6	99.1	0.7	..	0.2	2364.8	99.1	0.8	..	0.
Rajasthan	1699.3	73.1	26.3	..	0.6	1508.5	74.5	24.8	..	0.
Tamil Nadu	6804.6	55.1	44.9	..	..	5638.0	54.0	46.0	..	.
Uttar Pradesh	6178.4	37.0	62.9	..	0.1	5724.8	34.4	65.5	..	0.
West Bengal	4059.7	1.1	98.4	..	0.5	4055.9	1.1	98.4	..	0.
DVC	4469.1	9.6	90.4	..	..	4003.4	6.8	93.2	..	..
Union Territories										
Delhi	1101.4	..	99.3	..	0.7	1026.9	..	99.1	..	0.9
A &N Islands	5.0	..	36.0	..	64.0	4.3	..	48.7	..	51.3
Chandigarh	0.7	..	..	..	100.0	0.6	..	..	..	100.0
Dadra & Nagar Haveli	..	..	..	..	..	..	..	..	..	..
Goa, Daman & Diu	6.1	..	..	..	100.0	5.5	..	..	..	100.0
LMI Islands	0.3	..	..	..	100.0	0.3	..	..	..	100.0
Manipur	7.1	28.2	..	..	71.8	7.1	28.2	..	..	71.8
N E F A	DATA NOT AVAILABLE									
Pondicherry	..	..	..	..	..	..	..	..	..	.
Tripura.	8.3	..	..	..	100.0	8.5	..	..	..	100.0

(contd.)

Name of the state/ union territories.	1969-70 Percentage Generation. Total generation million kWh.	Hydro	Steam	Atomic	Diesel	1968-69 Percentage Generation. Total generation million kWh.	Hydro	Steam	Atomic	Diesel
1	12	13	14	15	16	17	18	19	20	21
States										
Andhra Pradesh	2679.6	56.5	43.4	..	0.1	2345.8	48.1	51.9	..	Neg.
Assam	322.1	41.3	..	..	58.7	249.0	43.5	..	..	56.5
Bihar	1088.8	Neg.	98.7	..	1.3	627.3	..	97.1	..	2.9
Gujarat	3708.0	..	81.5	18.0	0.5	3280.5	..	99.2	..	0.8
Haryana	1912.5	88.4	11.6	..	..	1673.6	88.0	12.0	..	Neg.
Himachal Pradesh	12.9	98.8	..	..	1.2	15.6	99.5	..	..	0.5
Jammu & Kashmir	173.8	79.6	15.2	..	5.2	134.0	9.8	..	..	8.2
Kerala	2027.6	100.0	..	..	..	1623.0	100.0	..	..	..
Madhya Pradesh	2187.9	17.3	82.7	..	..	2030.7	13.4	86.5	..	0.8
Maharashtra	8401.4	49.5	42.4	7.9	0.2	7664.6	53.8	45.8	..	0.4
Mysore	3289.2	100.0	..	..	..	2517.7	100.0	..	..	..
Nagaland	1.6	..	..	..	100.0	1.2	..	..	..	100.0
Orissa	1463.4	72.5	27.4	..	0.1	1382.9	72.1	27.8	..	0.1
Punjab	2728.9	99.8	0.1	..	0.1	2446.7	99.8	0.2	..	..
Rajasthan	1448.9	78.5	20.4	..	1.1	1310.9	71.1	26.4	..	2.5
Tamil Nadu	5654.1	50.7	49.3	..	..	5661.0	53.8	46.2	..	..
U P	5899.5	27.5	72.5	..	Neg.	5326.2	30.3	69.6	..	0.1
West Bengal	4151.0	1.1	98.5	..	0.4	4016.3	1.0	98.6	..	0.4
D V C	4115.0	5.9	94.1	..	..	4492.8	6.1	93.9	..	..
Union Territories										
Delhi	699.1	..	99.7	..	0.3	608.3	..	99.5	..	100.5
A & N Islands	3.5	..	57.1	..	42.9	3.5	..	57.0	..	43.0
Chandigarh	0.05	..	..	..	100.0	Neg.	..	..		..
Dadra & Nagar Haveli	..	..	..	..	..	..	..	..	..	..
Goa, Daman & Diu	5.4	..	..	..	100.0	8.8	..	..	..	100.0
L M I Islands	0.3	..	..	..	100.0	0.2	..	..	..	100.0
Manipur	6.2	30.0	..	..	70.0	6.2	29.2	..	..	70.8
N E F A	DATA NOT AVAILABLE									..
Pondicherry	..	..	..	..	..	..	..	..	..	100.0
Tripura	7.9	..	..	..	100.0	7.5	..	..	..	

Note : Diesel generation includes generation from gas turbine also.

Cost of Energy Generation from Hydro Power Plants

Sl. No.	Power plant	Installed capacity (MW)	Estimated cost of firm energy generation (Paise/kwh)
A.	**Completed Projects**		
1.	Bhakra Nangal-Pun./Har/Raj.	1084	2.06
2.	Kundah (St. I, II & III)—T.N	425	2.76
3.	Parambikulam-Aliyar—Tamil Nadu	185	3.62
4.	Kodiar—Tamil Nadu	100	3.99
5.	Sabirigiri—Kerala	300	2.42
6.	Kuttiadi—Kerala	75	2.66
7.	Koyana (St. I & II)—Maharashtr	540	2.1
8.	Rihand—UP	300	3.12
9.	Ranapratapsagar-MP/Rajasthan	172	2.04
B.	**Projects Partly Commissioned**		
10.	Sharavathi—Mysore	890	1.74
11.	Jawaharsagar—MP/Rajasthan	99	4.82
C.	**Projects under Construction**		
12.	Idikki St. I—Kerala	390	3.22
13.	Yamuna St. II-UP	360	5.93
14.	Koyna St. III-Maharashtra	320	7.06
15.	Pandiyar—Punnapuzha—Tamil Nadu	100	2.76
16.	Beas-Sutlej Link (Dehar & 5th Unit at Bhakra R. B.)-Pun./Har./Raj.	780	4.22
17.	Baira Siul—Himachal Pradesh	200	3.21
18.	Salal—J & K	270	3.02
19.	Loktak—Manipur	70	5.45

Cost of Energy Generation from Thermal Power Plants

Sl. No.	Power plant	Installed capacity MW	Estimated cost of generation (Paise/kwh) 60% P.F
A.	**Completed Projects**		
1.	Chandrapura 3rd unit—DVC	140	3.9
2.	Indraprastha (Delhi) (2nd, 3rd 4th units)	187.5	6.9
3.	Harduaganj St. III—UP	100	8.2
4.	Harduaganj St. IV—UP	110	8.1
5.	Korba—Stage II-MP	200	6.7
6.	Kothagudam—St. II—AP	120	5.7
7.	Satpura-MP/Rajasthan	312.5	4.5
8.	Talcher—Orissa	250	4.1
9.	Nasik—Maharashtra	280	6.6
B.	**Projects Partly Commissioned**		
10.	Ennore—Tamil Nadu	340	7.81
11.	Obra Extension—UP	300	6.41
C.	**Projects under Construction**		
12.	Badarpur—Delhi	300	7.96
13.	Bhatinda—Punjab	220	9.82
14.	Ukai—Gujarat	440	6.17
15.	Kothagudem—St. III—AP	220	6.50
16.	Bandel—West Bengal	330	5.34
17.	Santaldih—West Bengal	480	5.60
18.	Patratu Extn. (7th & 8th units)	220	6.61

Cost of Energy Generation from Nuclear & Diesel Power Plants

Sl. No.	Power plant	Installed capacity	Estimated cost energy generation (Paise kwh)
	Nuclear Plants		
1.	Tarapur	400	6.0
2.	RAPP	—	10.0
	Diesel Plants		
	Under construction		
1.	Leimakong—Manipur	3x690 KW	25 (at 45% plant factor)
	Proposed		
1.	Diesel sets in Haryana	30 sets of aggregate capacity 29.2 MW	24 (at 25% plant factor)
2.	Leimakong-Manipur	10 x 248 KW	29 (at 45% plant factor)

Foreign Collaborations

[DU]RING THE quarter ending June 1973, 77 cases of collaboration with foreign countries were approved. Out of these, 71 cases [w]ere for technical collaboration and six involved financial participation also. The collaborating countries are Australia, Denmark, [Cz]echoslovakia, France, Japan, East Germany, Hong Kong, Hungary, Switzerland, Ireland, United Kingdom, Sweden, United [St]ates and West Germany. The items of manufacture include boilders, automobile tyre moulds, beer, oxygen plants, watch dials, [p]orous mass, engine Valves, tape recorders, line matching units, speciality paper, mechanical seals, basic refractories, transistor [re]stors, silicon powder diodes, steering gears and heavy duty MV trailers.

FOREIGN COLLABORATIONS

[S.] [N]o	Name of the Indian company	Name of the foreign company	Item of manufacture
	2	3	4
		INDIA-AUSTRIA	
[1].	M/s. Textile Machinery Corporation Ltd, Flat No 506, 5th Floor Surya Kiran Building, 19, Kasturba Gandhi Marg, New Delhi.	M/s. Simmering Graz Paukar of Austria.	Boilers.
		INDIA-CZECHOSLOVAKIA	
[2].	Mr R.B. Jessudasen, c/o The South Indian Export Co. Pvt. Limited, 5, Maclean Street, Madras 1.	M/s. Skoda Export Foreign Trade Corporation, Czechoslovakia.	Automobile tyre moulds.
[3].	M/s Vijaya Industries, A/4, Industrial Estate, Sanathnagar, Hyderabad-18.	M/s Merkuria Foreign Trade Corporation, Praha, Czechoslovakia.	Precision optical instruments.
[4].	M/s Hindustan Amico Resins Limited, 710, Park Road, Model Town, Jullundur.	M/s V.C.Z. Synthesia of Czechoslovakia	Urea formaldehyde and helamine formaldehyde moulding powders.
		INDIA-DENMARK	
5.	M/s Bagai Foods & Beverages Pvt. Limited, 82, Janpath, Post Box No 742, New Delhi-1.	M/s Turcons Limited, Copenhagen, Denmark.	Beer.
		INDIA-FRANCE	
6.	M/s Larsen & Toubro Ltd, Gulab Bhavan, 6, Bahadur Shah Zafar Marg, New Delhi.	M/s Poclain, S.A. 60 Le Plessis-Belleville, France.	Multi-purpose hydraulic excavator loaders and high pressure hydraulic system and system components.
7.	M/s Hindustan Zinc Ltd, Udaipur Rajasthan.	M/s Soc. Miniere Et. Mettalurgique De Penarreya, 1, Boulevard de Vaugirard, Paris.	Expansion of the Debari zinc smelter unit.
8.	M/s Indian Petrochemicals Corporation Ltd, P.O. Jawahar Nagar, Distt Baroda (Gujarat).	M/s Aquitaine-Total-Organico (Ato), SA, France.	Low density polyethylene project:
9.	M/s Sharpedge Limited, 34, Okhla Industrial Estate, New Delhi-20.	M/s Thibaud Gibbs Et ris, Department Lemesde Rasoirs, Rue Du Temple, 78, Poissay, France.	Stainless steel safety razor blades.
		INDIA-GDR (EAST GERMANY)	
[1]0.	M/s Sanghi Motors (Bombay) Pvt Limited, 39-A, N.S. Patkar Marg, Bombay-7.	M/s Invest Export DDR, 108, Berlin, GDR.	Oxygen plants
11.	M/s Delicia India Ltd, Mahalaxmi Chambers, 22, Warden Road, Bombay-26.	M/s Ernst Freyberg Chemische Fabrik Deliticia, Delitzcn, GDR.	Aluminium phosphide.
12.	M/s Machine Mandrels Jigs & Co, B-19 Industrial Estate Ambattur, Madras-58	M/s Beb Werkzeug Maschinen Kombinat, Berlin, GDR.	Centreless grinders.

(*Contd.*)

"F" indicates cases involving financial participation also.

1	2	3	4
		INDIA-HONG KONG	
13.	M/s Pankaj Dial Industries, 1899, Chandni Chowk, Delhi-6.	M/s Arton Manufacturing Co Ltd, Hong Kong.	Watch dials.
		INDIA-HUNGARY	
14.	M/s Electric Construction & Equipment Co. Limited, L-577, Defence Colony, New Delhi.	M/s Tungsram of Hungary	Fluorescent lamps.
		INDIA-IRELAND	
15. F	M/s Akshani Steel & Casting Corporaton, Q-4, Amalfi, 15, Napean Sea Road, Bombay-6.	M/s Faderal Die Castings Limited, Dublin, Ireland.	Ferrous pressure Die castings.
16.	M/s Neomar Limited, Alembic Road, Baroda-3.	M/s James Mackie and Sons Limited, Ireland.	Folypropylene fibre.
		INDIA-JAPAN	
17.	M/s Maize Products, Propt: Sayaji Mills Ltd. P.O. Kathwada—Maize Products, Ahmedabad.	Ministry of International Trade and Industry, Japan and Japan Consulting Institute, Japan.	Fructose syrup.
18.	M/s Maharashtra Sugar Mills Limited, Industrial Assurance Building, Churchgate, Bombay-20.	M/s Taiyo Communication Industrial Co., Tokyo, J pan, Through M/s. Mitsui and Co. Limited, Tokyo, Japan.	Polyester capacitors.
19	M/s Bharat Pumps & Compressors Limited, Naini Allahabad (UP).	M/s Shows Koatsu Kogyo Co. Limited, Japan.	Porous mass.
20.	M/s United Electrical Industries Limited, P.O. No 87, Pallimukku, Quilon, Kerala.	M/s Fuji Sangyo Co. Limited, Japan	Carbon film resistors.
21.	M/s Amzel, Private Ltd, 95-K, Oomer Park, B. Desai Road, Bombay-36.	M/s Diamond Electric Manufacturing Co. Limited, Japan.	Ignition coils.
22.	Mr R.S. Kothawale, 1170/8, Shivajinagar, Poona-5.	M/s Bittan Valve Co. Limited, Japan	Engine valves etc.
23.	M/s United Electrical Industries Limited, Pallimukku, Quilon, Kerala.	M/s Shin-el-Electronics Limited, Japan.	Plastic film capacitors.
24.	M/s Gleitlager (India) Pvt. Ltd, Manu Mansion, 16, Old Custom House Road, Bombay-1.	M/s Daido Metal Co., Nagoya, of Japan.	Bimetal bearings bushes and thrust washers.
25.	M/s D.D. Lakhanpal 'Ashyana', 15th Road, Khar, Bombay-52, AS.	M/s Matsushita Electric Industrial Company, Osaka, Japan.	Tape recorders.
26.	M/s Indian Petrochemicals Corporation Ltd, P.O. Jawaharnagar, Gujarat.	(i) M/sAsahi Chemicals Industry Co. Ltd. (ii) M/s Kobe Steel Ltd. (iii) M/s C. Itch & Co., Japan.	Acrylic fibre plant.
27.	M/s Crompton Greaves Limited, Kanjur, Bhandup, Bombay-78.	M/s Hitachi Limited, Tokyo, Japan	Moulded case circuit breakers.
		INDIA-SWEDEN	
28.	M/s Ghaziabad Engg. Co. Pvt. Ltd, Peareylal Building, 42, Janpath, New Delhi.	M/s Svenska Rakblads fabriken AB, Sweden.	Stainless steel safety razer blades.
29.	M/s Indo Berolina Industries (P) Ltd, IBI House, S-86, Andheri, Kurla Road, Bombay-59.	M/s Uddeholms Aktiebolag, Sweden.	High alloy corresion resistant castings.
		INDIA-SWITZERLAND	
30.	M/s W.S. Insulators of India Ltd, Dhun Bldg., 175/1, Mount Road, Madras-2.	M/s Hafler AG, Berne, Switzerland	Line matching units.
31.	M/s Sudarshan Chemical Industries (P) Limited, 162, Wellesley Road, Poona-1.	M/s Sericol AG, Hochstrasse, 48, Postfach 106, 8044, Zurich, Switzerland.	Flouroscent pigments.

"F" indicaetes cases involving foreign participation also.

(Contd.)

1	2	3	4
		INDIA-UK	
32.	M/s M.G. Hairsprings Pvt. Ltd, Bull Temple Road, Post Bag No 1905, Bangalore-19.	M/s Smiths Industries Limited, UK	Hairsprings for watches, time pieces etc
33.	M/s Emco Transformers Limited, 106, Indl. Area, Sion, Bombay-22.	M/s Ferrante Ltd, Hollinwood, Lancashire, England.	Voltage regulating transformers.
34.	Mr J.K. Malhotra & H. Nichani, 30, Usha Kiran, Carmichael Rd., Bombay.	M/s Bouty Hydraulic Units Ltd, UK	Hydraulic equipment.
35.	M/s Dalal Engineering Private Limited, 314, Jolly Bhavan No 1. 10, New Marine Lines, Bombay-20.	M/s William Boulton Ltd, Burslem, Stoke on Trent, England.	Vibro energy equipment.
36.	M/s Allied Motors Pvt. Ltd, 5, Scindia House, New Delhi-1.	M/s Rotary Hoes Ltd, West Horndon, Essex, England.	Rotavators.
37.	M/s Hindustan Cables, P.O. Hindustan Cables, Moula Ali Industrial Estate, Hyderabad (AP)	M/s Standard Telephones & Cables Limited, UK.	Jelly filled cables etc.
38. (*)	M/s Power Centre Electrical Electronics Pvt. Ltd, 11-3, Functional Industrial Estate for Electronics & Instruments, Adyar, Madras-20.	(1) M/s Wattlif Co. Ltd, UK Or (2) M/s Kehlesburste Fabrick Franz Wonsel K.G., West Germany.	Special commutators.
39.	M/s Usha Telehoist Ltd, 14, Princep Street, Calcutta-13.	M/s Plessey Co. Ltd, UK	Hydraulic pumps and valves.
40.	M/s Dass Hitachi Pvt. Limited, Pearaylal Building, 21-A, Windsor Place, Janpath, New Delhi.	M/s Teddington Auto Controls Ltd, UK	Thermostats for refrigeration and other appliances.
41.	M/s Westerwork Engineers Pvt. Ltd, 5-D, Vulcan Insurance Building, Veer Nariman Road, Bombay-20.	M/s British Moulding Machine Co. Ltd, UK.	Foundry moulding machines.
42. (F)	Mr O.P. Wadhwa, 604, Rajamala, Napean Sea Road, Bombay (6).	M/s Thor Tools Limited, UK	Electric and pneumatic tools.
43.	M/s Steels Worth Pvt. Limited, 17, Ganesh Chandra Avenue Calcutta-13.	M/s Alex Lawrie & Co. Ltd, London, UK.	Lawrie tea processor.
44.	M/s Gujarat Plastic and Metal Containers (P) Ltd. A 2/5, G.I.D.C. Industrial Estate, Vatwa, Ahmedabad.	M/s Johnson & Jogerson (Plastic) Ltd, London.	Purchase of patent rights for the manufacture of plastic containers "Securitainers".
45.	M/s Hindustan General Trading Co. (P) Ltd, 208, Mahatama Gandhi Rd., 113, Manohardas Katra, Calcutta-7.	M/s S.U. Carburettors, British Leyland UK Ltd, England.	Carburettors and carburettors kits.
46.	M/s Usha Telehoists Ltd, 14, Princep Street, Calcutta-13.	M/s Steelfab Ltd, UK	Front end loader attachments and back hoc attachments.
47.	M/s Tribeni Tissues Ltd, 3, Middleton Street, Calcutta-16.	M/s Wiggins Teape Ltd, Gateway House, 1, Walting Street, London.	Speciality paper.
48.	M/s Usha Telehoist Ltd, 14, Princep Street, Calcutta-13.	M/s Telehoist Ltd, UK	Steel and aluminium bodies for dumpers placers and tippers.
		INDIA-USA	
49.	M/s Ex-Cell-O India Ltd. 78-B, Dr. Annie Besant Road, Bombay-18.	M/s Ex-Cell-O Corpn., Detroit, Michigan, USA	New models of precision boring machines
50. (F)	Mr N.C. Dalal, Brighton No. 2, Off Napean Sea Road, Bombay-6.	M/s Sealol Inc., Providence, Rhode Island, USA.	Mechanical seals.
51.	M/s Orissa Industries, P.O. Ltd, Barang, Distt. Cuttack (Orisa).	M/ssitt Harbinson Walker Refractories Co., Pittsburgh, USA.	Basic refractories.
52.	M/s Cutler Hammer India Limited, Mathura Road, Faridabad.	M/s Cutler Hammer Inc., USA	Motor control centres, special control panels etc.
53.	M/s Cutler Hammer India Limited, Mathura Road, Ballabhgarh (Haryana).	M/s. Cutler Hammer Inc., USA	Motor starters and contactors.
54.	M/s Arjuna Electronics (Pvt) Ltd, Bashir Bagh, Hyderabad-1 (AP)	M/s American Electronics Laboratories, Inc., USA.	Transistor testers.
55. (F)	Mr K.P. Singh, 14, Aurangazeb Road, New Delhi.	M/s ESB Incorporated, USA	Storage batteries.

(*) This firm may have collaboration arrangement with West German firm.
"F" indicates cases involving foreign participation also.

(Contd.

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46.	M/s Zell-Ate Limited, Indian Globe Chamber, 1st Floor, Fort St., Bombay-1	M/s John D. Hollings worth on Wheels, Inc., USA.	Speed off high speed doffer for cards.
47.	M/s Bharat Heavy Electricals Limited, 'Hindustan Times House', Kasturba Gandhi Marg, New Delhi.	M/s Air Preheater Co Inc., USA	Ljungstrom type regenerative air pre-heater.
48. (F)	M/s Indequip Dayco Ltd, C/O Indequip Engineering Ltd, Reid Road, Railwaypura, Ahmedabad-2.	M/s Dayco Corporation, Dayton, Ohio, USA.	Synthetic rubber cots and aprons.
49.	The Managing Director, The Wesman Engineering Co. Pvt. Ltd, 12, Allenby Road, Calcutta.	M/s Bloom Engg. Co. Inc., USA	Combustion systems.
50.	M/s Darbara Singh & Sons, "Olympus House", 29, Netaji Subhash Marg Delhi-6.	M/s Lean Jet Stereo Limited, USA	Tape recordings play back equipment.
		INDIA-WEST GERMANY	
51.	M/s Siddharth Carbochem Products, GIDC Industrial Estate, Makarpura, Baroda-9. (Gujarat)	M/s C. Contradty, West Germany	Baked impregnated/impervious special carbons and graphite products.
52.	M/s Sussen Textile Bearings Ltd, Ahmedabad National Highway, Mo. 8, Baroda-9.	M/s Spinelfabrik, Sussen Schurr Stahlecker & Grill, GmbH, West Germany.	Top arms and apron guiding devices, etc.
53.	Mr Anil Rao, M/s Precision Gears Pvt. Limited, C/o M/s Sentinel Windows and Structurals Pvt. Ltd, 96, Bora Bazar Street, 2nd Floor, Fort, Bombay-1.	M/s Hassia Verpackung AG, West Germany	Strip packing and blister packing machines.
54.	M/s Super Springs Limited, 6/47-D, Avanashi Road, Pappamaickenpalayam, Coimbatore-18.	M/s Der Firma Ernst Schmitthelm, West Germany.	Metallic industrial springs (excluding laminated springs).
55.	M/s NGEF Limited, Post Bag 5384, Bangalore-1.	M/s AEG, West Germany	Silicon power diodes.
56.	M/s The Printers House Pvt. Ltd, 10, Scindia House, New Delhi.	M/s Koenig & Bauer AG, Wurzburg, West Germany.	Sheet fed off-set press.
57.	M/s Jain Brothers, 903, Queens Road, Delhi-5.	M/s BALO, West Germany.	Finished cylinder heads & crankshafts.
58.	Mr A.P. Madhavan, 89, Race Course, Coimbatore-18.	M/s Vebruder Kempf, GmbH, West Germany.	Propeller shafts and universal joints.
59.	M/s Laxmichand Bhagaji Limited, Ramon House, 169, Backbay Reclamation, Bombay-20.	M/s Zahnradfabrik Friedrichshafen, AG, West Germany.	Steering gears.
70.	M/s Manw Udyog Pvt. Ltd, Mubhai, Agra (UP).	M/s Lurgi Mineraloet Technik, GmbH, Frank Furt am Main, 4960 West Germany.	Nylon moulding chips.
71.	M/s. Bombay Furnaces Pvt. Limited, 5, Stadium House, Veer Nariman Road, Bombay-20.	M/s Brockmann & Bundt Industrie-Ofebau, 4, Dusseldrof, West Germany.	Walking beam and busher type furnaces.
72.	M/s NGEF Limited, Post Bag 3876, Bangalore.	M/s AEG, West Germany	EHV power transformers.
73.	M/s Central Industrial Workshop, Chamarajapet West Post, Bangalore-18	M/s Willy Scheuerle Fahrrzeug-Fabrik Pfedelback, Ohringen, West Germany.	Heavy duty MV trailers.
74.	M/s Mahlo-Star Electronic Equipment (P) Ltd, Shree Laxmi Woollen Mill Estate, Dr. E. Moses Road, Maha Laxmi, Bombay-11.	M/s Mahlo Electronics GmbH, West Germany.	Non-contactradiation temperature measuring and automatic controlling equipment "Thermostat".
75.	Shri Charanjit Singh, 9, Friends Calony, New Delhi.	M/s Ortmann & Herbst Maschinenfabrik, West Germany.	Automatic bottling plant.
76. (F)	M/s Reinz Talbros Pvt. Ltd, 19, Industrial Area, Opp. Mohan Nagar, Ghaziabad.	M/s Reinz Dichtung GmbH, New-Ulm, West Germany.	CAF jointings.
77.	M/s NGEF Limited, P.B. NO, 3876, Bangalore-1.	M/s AEG of West Germany.	Circuit breakers and auto reclosures.

NOTE: This list does not include cases of approval granted for issue of shares to foreign national non-resident Indians etc.
"F" indicates firms involving foreign participation also.

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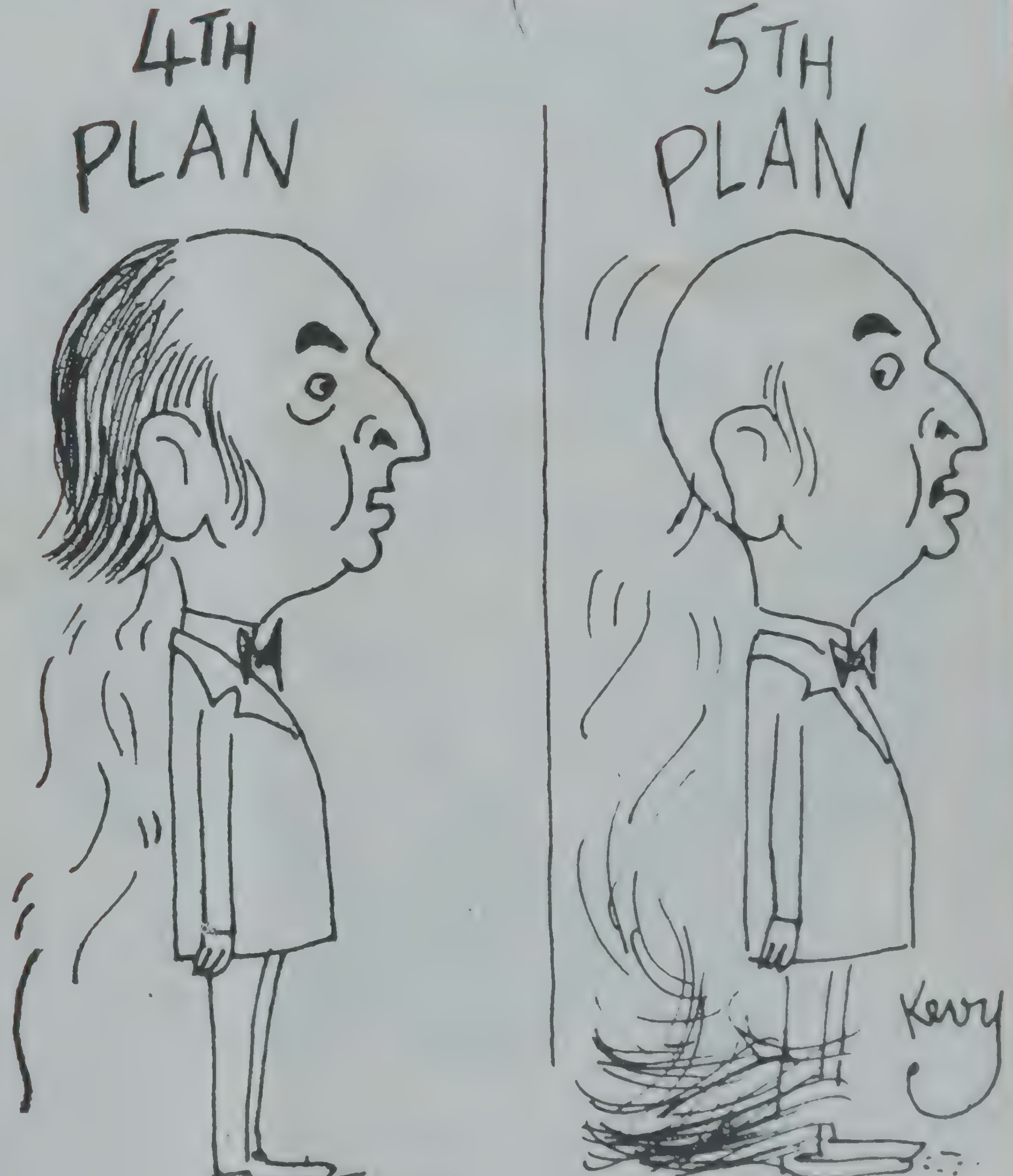

THE BALD TRUTH

Will she ever face facts?

THE PRIME minister's remark that the nation's economic difficulties are a "passing phase" may perhaps be meant only for public consumption. Whatever the ethics of this deception may be, it would be far worse were she to believe really that it would only take a more or less good monsoon to wash away the country's economic ills. Mr Asoka Mehta is quite justified in pointing out that what is happening is inherent in the structure of the policies and style of the government. It would be logical to add to this that a lot more that would be much worse is bound to happen in the coming months if the government does not reform itself in its attitudes, policies or administrative functioning.

The tragedy is that this government and its leader cannot be relied upon to mend their ways. Both have become habituated to functioning from a feeling of arrogance prompted by the possession of nearly absolute political power. While rejecting Mr Shashi Bhushan's ridiculous plea for "limited dictatorship",—an obvious contradiction in terms—Mrs Gandhi no doubt proclaimed her touching faith in democratic institutions such as the parliament and the press. But she knows well enough that, in the present political situation, neither parliament nor the press is sufficiently effective in calling her government to order. Thanks to this convenient context, she is in the enviable position of enjoying almost unlimited political authority for acting much as she pleases or, if this suits her better, not acting at all. Unforunately, the country finds itself in such a situation that it stands to suffer as much from her not acting at all as it would from her acting wrongly.

Take, for instance, the shortages of goods of all kinds which are becoming a generalized feature of the economy. The demagogues in her party as well as in the opposition are crying for the blood of the hoarders and the profiteers, but is she being told at all that, even after the last hoarder has been shot or the last profiteer hanged from the nearest tree, there would still not be enough goods to go round? Here a little exercise at fact-finding, we suggest, might help. For instance, during the last few months one manufacturer after another has been putting up prices. Normally, when prices are revised upward, new stocks are released to the market to be sold at the higher prices. Nowadays, however, this is not happening. On the contrary, even after prices have been put up, stocks are moved to retail points or even into the wholesale trade channels only in limited quantities. This shows that there is a real production crisis in the country and that the consequent disequilibrium between supply and effective demand is even beyond the disciplining power of high prices.

Mr Y.B. Chavan has just been sharing with members of parliament his discovery that the country's economic difficulties are due to too much money chasing too few goods. That the Finance minister of our country, who has been holding this office for more than three years now, should be uttering this cliche with an air of justfying everything may be one of our minor misfortunes, but what is surely tragic is that the government, of which he ought to be an effective member, still does not seem to realize that only an all out production drive could save the economy of the country and, thereby, its democratic values. The prime minister has an impressive array of economic ministries in her sprawling administration. What the country really needs, however, is not these ministries of Heavy Engineering Steel or Industrial Development, but simply a ministry of Production; it most certainly can do without the ministry of Planning.

In her own political self-interest Mrs Gandhi ought to come to grips with this problem of increased production. She cannot after all be entirely insensitive to the fact that the mismanagement of the economy which has been the one constant factor in her record of administration is only impoversing the people and bringing disgrace and dishonour to this country. The name of India is mud in the market-places of the world. Due to no fault of their own, except that they do not seem to know how to choose their rulers, the good people of India have been made to seem a feckless crowd, both unwilling and unable to fend for itself.

In a BBC Television feature entitled "Bombay Superstar", Mr Shashi Kapoor drew a thumb-nail sketch of "the Indian film fan":

> "He has no education. He has no cultural background. He is tired, he is worried, he has lots of problems. He has been brainwashed into living the life he knows he is going to live for the rest of life. He doesn't want to be told about the realities of life. Films are for the Indian who cannot afford any other entertainment beside his wife."

This description would apply not only to "the Indian film fan" but also to what Mrs Gandhi's government has made of the Indian people generally in the twenty-seventh year of their freedom.

eastern ECONOMIST

AUGUST 17, 1973

False scare in jute?

PROF D. P. Chattopadhyaya, the union Commerce minister, warned the jute industry in Calcutta on August 4 not to create a "false scare" about the inroad of synthetics. He said that he was confident that there was nothing to be alarmed at about the future of the jute industry which was "not at all in a bad shape". He added that there was every chance of the price of synthetics going up sharply in the near future.

Even if the Commerce minister does not believe what the jute industry tells him about its present plight and future prospects, can he deny that there has been a steep decline in the export of jute goods from our country? During January-May 1973 the total shipments of jute goods amounted to 234,000 tonnes only, which were about the lowest during the last five years. The offtake by North America was only 19,000 tonnes in January-May 1973 as compared with 41,600 tonnes in the same period of 1972.

In a review of the jute industry prepared for the last meeting of the Board of Trade held on July 17, the Commerce ministry had said that while the exports were doing well until the first half of 1972-73, thereafter a weakening trend started in the latter part of the year due to the revival of competition from Bangladesh, high price of jute goods, and "growing threat from synthetics". Exports during April-December 1972 amounted to 448,000 tonnes valued at Rs 192.7 crores as compared with 452,000 tonnes worth Rs 186.9 crores in April-December 1971. Carpet backing cloth was described as "the worst sufferer" as its exports declined from Rs 84.3 crores in April-December 1971 to Rs 65.1 crores in the corresponding period of 1972. In the light of this performance, can Prof Chattopadhyaya claim that there is no reason to be perturbed about the outlook for the jute industry?

It may be that the price of synthetics in the coming weeks may show an upward trend. But this does not surely mean that nothing need be done to improve the competitive capacity of the jute industry. During the last several years, the spokesmen of the industry have repeatedly drawn the attention of the government of India to the danger arising from the increasing popularity of synthetics. The jute delegation which visited the USA last year also expressed serious concern at the rapid erosion of jute's share in carpet backing market which declined from 81 per cent in 1968 to 45.3 per cent in the last quarter of 1972 in primary backing and in the secondary backing from 71 per cent to 61 per cent. Synthetics are said to have made "massive inroads" in North America and in west Europe in heavy-duty packaging and it is stated that they are also becoming increasingly popular in other fields. In this background how can the Commerce minister say that the jute industry is creating an unwarranted scare about the threat from synthetics?

The Indian jute industry has also to reckon with the rapid revival of its counterpart in Bangladesh. It is estimated that in the eight months ended February this year, Bangladesh produced 314,500 tonnes of jute goods, consisting of 109,200 tonnes of hessian, 151,900 tonnes of sacking, 36,500 tonnes of carpet backing cloth, and 16,900 tonnes of other products. In the same period India's production of jute goods amounted to 697,300 tonnes, of which hessian accounted for 219,500 tonnes, sacking 302,200 tonnes, carpet backing cloth 104,009 tonnes, and other products 70,700 tonnes. It is significant that while Bangladesh was able to export 276,000 tonnes of jute goods in the eight months ended February 1973 the exports from India amounted to 346,000 tonnes.

In the light of these data, the government of India should reconsider its approach to the jute industry. Prof. Chattopadhyaya was good enough to say in Calcutta on August 4 that there was now a case for removing the export duty on hessian. He disclosed that the government of India was considering this matter actively and that a decision was to be announced soon. In March this year Prof Chattopadhyaya had adopted a different attitude towards the removal of export duty. He had then said that this question would have to be considered "in the context of the fiscal requirements of the national economy as a whole".

If today the Commerce minister has changed his opinion it seems to be due to Russia's decision to suspend the purchases of hessian from our country. In a press conference in Calcutta on July 25, the acting chairman of the Indian Jute Mills Association, Dr B.P. Kedia, said that Russia, which used to lift about 11,000 tonnes of hessian a month from India, had suspended its purchase. A few days later the Trade Representative of the USSR in Calcutta said that Moscow had no intention to stop the purchase of jute goods from India. He added that the quality of Indian hessian was appreciated in Russia and that Bangladesh would not be able to meet all of Russia's requirements of jute goods. He also assured that Russia would honour her commitments to purchase jute goods as laid down in the trade protocol for the current year.

Despite these assurances, the fact seems to be that Russia has expressed its unhappiness about the high prices of Indian jute goods as compared to those of Bangladesh. It is therefore likely that the government may shortly announce changes in the export duty. But it would do well to abolish the export duties on all items of jute goods. The piece-meal reduction of duty has not helped the industry. The export duty on primary carpet backing cloth, weghting 9 Oz. and above per square yard, was reduced from Rs 700 to Rs 300 per tonne with effect from November 1, 1972. But, despite this measure, the export of this item continued to fall. So the export duty was further reduced with effect from June 12, from Rs 300 to Rs 200 per tonne on primary carpet backing and from Rs 700 to Rs 300 per tonne on secondary carpet backing.

Prof Chattopadhyaya also urged the jute industry to purchase raw jute at the rate of Rs 157.68 per quintal for the Assam Bottom variety delivered at Calcutta. He said that he was convinced that even after buying raw jute at this rate, jute products would remain competitive in the world markets although the profits will be "slightly less". He also warned the industry that if it did not respond to the government's directive it might be necessary for New Delhi to canalise the purchase of about four million bales through the Jute Carporation and also to take over the "sick units".

Meanwhile, the government of West Bengal has suggested that the raw jute price should be not less than Rs 163 a quintal. The government has said that West Bengal has substantially expanded the jute acreage and the crop is about four million bales against the normal 3.4 million bales and that if the farmers do not get a reasonable return, there will be a decline in jute acreage next year. The jute industry, while fully appreciating the need to give a fair return to the growers, has expressed the fear that a price of Rs 157.68 a quintal will make its goods uncompetitive in the foreign markets and the mills will be put to heavy losses.

The industry has reiterated that in the interests of the cultivators themselves productivity should be substantially improved by raising the average yield per acre which at present is about 2.8 bales compared to 3.8 bales in Bangladesh. The need for providing more retting facilities, for setting up more seed multiplication farms, and for arranging grading of fibre in the primary markets has been stressed often before and the time has now come to give serious attention to these problems. The government should promote the export of jute goods not by threats and warnings but by positive measures to help the industry to improve its capacity to compete in foreign markets.

Import policy—obstacle to production

In his presidential address at the 82nd annual general meeting of the Calcutta Import and Export Trade Association held recently, Mr M.L. Capoor made some constructive suggestions for imparting increased flexibility to the implementation of the import policy of the government of India. He said that at present the policy had become an obstacle for increasing production. At a time when the nation is facing an acute shortage of essential commodities and has to rely increasingly on the imports of raw materials and components, it is necessary to formulate the import policy realistically so as to speed up the growth of the economy.

A major point made by Mr Capoor related to the difficulties in importing spare parts. At present, spares for the DGTD priority units are permitted up to two per cent of the c.i.f. value of imported plant and machinery installed in the factory of the applicant. He pointed out that this basis was inequitable because it led to the licensing of a larger quantum of spares for the new units whose face value of imported plant and machinery was much higher than that of the older units in the same industry. Actually, the older units need more spares but they have a lower face value of imported plant and machinery. Further, some of the older units have to modernise their machinery in order to maximise their capacity utilisation. He therefore suggested that the licensing of spare parts should be placed on a slab system varying from two per cent to five per cent of the c.i.f. value of the imported plant and machinery and that, in permitting the higher percentage, the age of the plant and machinery and the licensing capacity of the units should be considered. Another suggestion made by Mr Capoor was that the government should set up a technical consultative committee, consisting of the representatives from the Directorate-General of Technical Development, the Chief Controller of Imports and Exports, the Department of Customs and the industries concerned to arbitrate on the disputes arising between the licensing and the customs authorities on what constitutes spare parts and components.

Mr Bose Mullick, the Chief Controller of Imports and Exports, who was the chief guest at the annual general meeting, did not seem to agree with Mr Capoor's criticism of the existing import policy in regard to the facilities provided for spares. He said that "for the large majority of units the existing provisions should be adequate". Is this a convincing explanation? Should not all industries which contribute to the country's production be given the facilities to import spares where the latter are essential for efficient working?

Mr Bose Mullick also did not seem to favour Mr Capoor's suggestion for setting up technical consultative committees to decide the disputes about the interpretation of spares and components. The Chief Controller said that joint committees, consisting of officers from the customs department and the Import Trade Controller's organisation, had been functioning at every port. But these arrangements do not appear to work satisfactorily probably because of the lack of technical expertise in these committees. The government therefore should review the existing arrangement since differences in interpretation do cause considerable difficulties to the importers of spares.

Mr Capoor also criticised the canalisation scheme. He agreed that canalisation had come to stay but he suggested that it should be implemented in such a manner as not to hinder production. He made three specific proposals in this regard: First, the government should permit imports through normal channels for a period of six months from the date of canalisation. This will enable the actual users to utilise the import licences in the pipeline for such items and also afford an opportunity to the canalising agency to gather information and experience in regard to the canalised items. Second, the canalising agency should be required to place firm orders within a specific period — say, three months — from the date of receipt of indents by it. If it fails to do so, it should, immediately upon the expiry of this period, issue a "No Objection Certificate" against which the import trade control authorities should permit the actual user to import his requirements direct. Third, if any actual user is able to furnish documentary evidence of lower prices or better deliveries than those obtained by the canalising agency he should be permitted to make direct arrangements for his import requirements.

These suggestions seem sensible but their implementation may not be easy. It is likely to give rise to confusion and delay. The advantage of canalisation, claimed by the government, is that, besides eliminating malpractices in the private trade, it helps to obtain for the country the benefits of bulk buying and economies in shipping freight. It is, of course, true that canalisation in practice has created more problems for industries especially for the small units. But the government seems unlikely to agree to Mr. Capoor's suggestion since this would practically amount to decanalisation. The better course therefore will be for the government to declare that there will be no further canalisation for a certain period, say, for the next two or three years. At a time when raw materials in the world markets are becoming scarcer and costlier, there is a strong case for entrusting the import of selected canalised items to the private sector so that with its expert knowledge and extensive experience, the country can ensure that the available foreign exchange resources are utilised to the best advantage. This question has been under the consideration of a committee set up by the government of India some months ago under the chairmanship of Mr M.G. Kaul, Secretary of the Department of Economic Affairs, and it is hoped that its recommendation will help the government to implement the canalisation scheme smoothly.

Mr Capoor also made a strong case for giving due importance to the role of established importers. He said that they possess "a fund of specialised knowledge and expertise" and that they have been serving industry for decades. "With the remarkable growth in industrial production we have had over the last two decades", said Mr Capoor, "there is a need to set up a second line of defence with established importers, so far as the suppliers of spares are concerned."

As regards export promotion Mr Capoor said that while much has been done in this direction, "a good deal more can still be done by way of information and servicing of export industries". In this context, Mr Bose Mullick's revelation about this aspect of compulsory export obligation is significant. He said, "Large-scale units in these industries which have been in production for not less than five years are liable to a cut in their import requirements if they fail to export a minimum of five per cent of their production. I must say that for reasons which have yet to be explored, the results of this compulsory export obligation have not been as satisfactory as expected. There are about 350 units which are required to export a minimum of five per cent of their production. During the last five years hardly 50 per cent of this number ha[s] been able to show a minimum performance required of them. These results have been a matter of great concern to us. Is the Chief Controller of Imports an[d] Exports really unaware of these difficu[l]ties? Any attempt to promote expo[rts] can succeed only if ultimately it helps th[e]

porter to make a profit. This is the only ay to ensure the success of our export romotion programme in a sustained anner. The "stick" part of the carrot and stick policy seems to have failed to deliver the goods. The government therefore would do well to reconsider its approach to compulsory exports.

Suicidal strike

HE STRIKE by the All-India Loco unning Staff Association (AILRSA) nce the beginning of the current month ill-timed. Even if the frantic efforts eing made by the railway minister, Mr .N. Mishra, result in its early termiation, it has already caused considerble harm to the economy. The cancelation of hundreds of passenger trains nd a very large number of goods trains or more than a week has disrupted the novement of men and materials and has rippled economic activity. While the ailways are incurring a loss of more than crore of rupees a day, the damage to ne economy is of a significantly higher rder. Already distressing reports of the cute shortages of consumer goods and ne consequent steep rise in prices are eing received in the capital from different parts of the country. The strike y locomen has now added fuel to the re of rising prices and has further inreased the miseries of the people.

This is the second strike by the ocomen within the last three months. According to the representatives of the AILRSA, the last agitation had been withdrawn on May 31 this year on the basis of the assurance given by Mr L.N. Mishra that (a) the AILRSA would be given the right of negotiation, (b) the charter of demands would be considered, and (c) the cases against the active workers of the association under the Defence of India Rules would be dropped. It is the case of the association that the government failed to honour its commitment and left it no option but o resort to direct action. The serving of notices of a break in the service of 4000 workers who had struck work in May was in the opinion of the AILRAS, a clear violation of the assurances given by the Railway minister. On the other hand, Mr L.N. Mishra stated in the Lok Sabha on August 3, that the illegal strike had been perpetrated suddenly without any immediate cause and without giving any notice or intimation to the administration at any place. As the Defence of India Rules applied to all essential services including the railways, the government had no option but to take strict action. It resulted in the arrest of more than 600 locomen including some of the leaders of the association. It was however made known by the Railway minister that all of them would be released immediately after the withdrawal of the agitation. The Railway minister has also paved the way for a settlement by stating that the position as it was before the May strike would be restored.

The AILRSA has put forward five demands. They are: (1) The duty hours of locomen should be reduced from 14 to eight hours a day; (2) the job security of medically decategorised personnel should be guaranteed; (3) There should be equal pay for equal work; (4) The AILRSA should be given negotiating facilities at all levels; (5) No worker should be victimised for having taken part in the agitation. On the face of it, the demands of the locomen do not seem to be unreasonable except for the recognition to be accorded to the AILRSA. Already, there are two associations of railwaymen which are recognised by the Railway ministry. The locomen could represent their case through any one of them. The need for the recognition of a new association has not been established. The different categories of workers employed by the railways runs into hundreds. If each one of them were to form a separate union, it would be difficult for the Railway Board to recognise each one of them. The experiment of the recognition of a large number of craft unions in Indian Airlines and Air-India has amply demonstrated that it is hardly workable. The Railway ministry is fully justified in resisting the recognition of a new union as the multiplicity of recognised associations tends to aggravate employer-employee relations.

> **The strike of the loco running staff was called off on Monday, August 13, 1973.**

This is also not the time when the All India Railwaymen's Federation and the National Federation of Indian Railwaymen which command the allegiance of a majority of the railwaymen should sit idle and do nothing. They should take an active part in the present dispute and should see to it that it is brought to an end without much delay. They should also persuade the locomen to get their grievances redressed through one of them; otherwise their own prestige would suffer through the formation of new, unrecognised craft unions.

The demand of the locomen for a reduction in working hours from 14 to eight a day is fully justified but it may not be possible for the Railway ministry to accept such a sharp reduction in working hours in one step. At the time of going to the press, the negotiations between the AILRSA and the Railway minister are reported to be deadlocked on this issue. Whatever the outcome of the present discussions, it cannot be denied that the working hours of locomen need to be reduced and a phased programme in this regard needs to be charted out.

As stated earlier, it has been made known by the government that it would have no hesitation in releasing all the arrested locomen in case the agitation is withdrawn. It would, however, be wrong to let off even those who have been engaged in anti-national activities. Those locomen who removed fish-plates of rails resulting in derailment of trains and consequent loss of life cannot be allowed to go scot-free. The violent activities of railwaymen if condoned would lead to serious situation in the country as other unions in different industries would be tempted to take to violent methods. No government could condone illegal activities of striking men because it would amount to abrogation of the rule of law. However, it would be advisable on the part of the government not to victimise the peaceful strikers and leaders. Victimisation would lead to bitterness and discord which should be avoided at all costs.

The decision by the All-India Railwaymen's Federation to call off the strike planned to begin on August 27 needs to be welcomed. This federation has given the correct lead to railwaymen. Now it is for the Railway ministry to enter into a friendly dialogue with the representatives of this association to work out a programme of adjustments in wages and allowances keeping in view the rising trend in prices. Instead of letting things slip through a policy of drift as has been seen in the case of locomen the Railway ministry would be well-advised in keeping cordial relations with workers and taking them into confidence in regard to its difficulties. Mere increase in money wages will be of little use to railwaymen as it would further accentuate the current inflationery pressures in the economy. Moderate increases in wages and allowances coupled with necessary measures in the economy to increase production to match the increase in money supply would provide satisfaction to all workers including the railwaymen.

POINTS OF VIEW

Tripping and the power situation in Maharashtra

P.M. Agerwala

This is the text of a talk given by Mr P. M. Agerwala, Managing Director, Tata Electric Companies at a meeting of the Rotary Club of Bombay on July 17, 1973.

RECENTLY MAHARASHTRA, particularly the Bombay-Poona region, has passed through a most anxious time. Careful planning and management of our resources had taken us upto early June with a minimum of loss of industrial production and inconvenience to the public. It was hoped that the onset of monsoons early in June would bring relief and all restrictions on the use of power would be removed. Many risks had been taken—lake storage levels had been brought down to the minimum in living memory, with thermal plants generating to their maximum capability—when the blow struck—Trippings.

There were 21 trippings in June. A tripping occurs when a transmission line connected to a generating station is not able to carry the load. This may be due to a fault or may arise out of a design and|or maintenance weakness. The line then trips, that is, the generating station is automatically disconnected from the line. The result of the trippings was a near-complete confusion.

lack of coordination

In this country, so far as 'power' is concerned, we lack a co-ordinated approach and have no priorities. The result is one crisis after the other. The four Plan periods have brought us to one of the largest nation-wide man-made power crises. As you are all aware, power cuts to the extent of 75 per cent were applied in some parts of the country last year.

What, in brief, are the reasons for this state of affairs? These are easy to diagnose.

(i) We have invested some Rs 6,000 crores in 'power' since 1961. These have formed a large proportion of our total investments and are more than the original allocations for power. Yet, our physical achievements have been some 37 per cent to 38 per cent short of the targets. The cumulative effect of these shortfalls over four Plan periods can easily be computed.

(ii) Our transmission losses are some of the heaviest in the world. We have not even outlined a plan to reduce these. On the other hand, additional load continues to be added to these weak lines thereby causing frequent breakdowns and low voltage problems.

(iii) Our operational efficiency and maintenance of equipment is very poor indeed. I do not wish to go into details but it is well known that the very low generation even from our larger and efficient plants is not due to paucity of power demand but a very low plant availability as a result of poor maintenance, lack of training of operational staff and inadequate and often non-existent control procedures.

unrealistic plans

The fact is that our plans are highly unrealistic. There is too much emphasis on how much to allocate or invest in generating stations and too little on objectives, time schedules and on performance. One vainly looks in the Plan documents to find a mention of the quality of service to be provided either in rural or urban areas. The Plans provide no guide-lines to the organisations in the field and there is, of course, no mechanism to judge performance.

At this point I can do no better than quote from an editorial in the July 1972 issue of *The Indian Journal of Power and River Valley Development* :—

> "...The problem with the public sector power systems in West Bengal, and for that matter in the Eastern Region is, more than anything else, their incompetent management. Each of the systems has enough technical expertise for both operation and maintenance and yet over a third of the installed capacity is down for over the last 6 months causing erratic and heavy load shedding every day. In almost every case, the unit is down because of breakdowns to the boiler or its auxiliaries....What ails the power stations are bad man (Personnel) Management, bad Materials Management, bad maintenance and totally outdated methods...."

neglected transmission

A power system comprises generating stations—thermal, hydro, nuclear,—transmission lines, and the distribution network. Investment-wise, we spend the largest amounts, that is over 50 per cent of total allocations on generating plants. In the first place, these also are poorly maintained and have therefore become chiefly responsible for the crisis which the country has faced. Our investment, on transmission and distribution, in spite of our being a vast country, is on the other hand, minimal, forming only 26 per cent of the total allocation. In foreign countries these costs are nearly equal to those of the investment on generating stations. In other words, our transmission lines have been neglected and are generally too weak to carry the load. This factor alone contributes to heavy transmission losses.

In this highly industrialised region, we operate jointly on the basis of working on a grid and an inter-connected

system—the participants are Tatas, the Maharashtra State Electricity Board, the Railways, the Tarapur Nuclear Station, the Gujarat Electricity Board and a large number of distributing licensees —BEST, BSES, Thana Electric Supply Co, Amalgamated Electric Supply Co. at Bhiwandi and so on. The arrangement provides for pooling of resources and for the maximum supply facilities to the consumers. Allowing for the fact that there is no overall day to day co-ordinating authority for the western India region the system has worked reasonably satisfactorily.

weakest link

We thought we had overcome most of the difficulties in the last dry season. In spite of the loss of hydro generation due to inadequate precipitation last year, we managed with a comparatively small power cut and the effect on industrial production had been limited to small proportions. But the strength of a chain is determined by its weakest link. The all-India hoodoo struck us in June when due to the weakness of the transmission lines, both in Gujarat and Maharashtra, the entire system was subjected to a spate of trippings and major 'jolts' to sensitive generating plants.

Could these trippings be foreseen? Were they preventable? The answer appears to me to be 'yes'. It has been known that the design and layout of the Tarapur switchyard would not be able to meet the load and environmental needs in the area as early as 1970. The lines in Gujarat run along the coast and are known to have been subjected to heavy salt pollution for over two decades. Similarly, in Maharashtra the lines are subject to heavy chemical and industrial pollution. There is no unforeseen circumstance about these facts. Use of appropriate materials for construction and regular and proper maintenance would certainly have avoided the major breakdowns in June. It may interest you to know that the Tatas have installed on their transmission lines fog-type insulators in polluted areas; and the lines and the sub-stations are regularly inspected and maintained by using 'hot-line' washing arrangements and by adopting methods of regular thorough cleaning of all insulators three times a year.

An adequately designed and well constructed 220 KV transmission line should yield an annual service availability of not less than 95 per cent even allowing for normal maintenance outages and trippings due to faults created by birds, kite flying, etc. However, during the month of June this year the availability of the lines touched a very low figure. In 1970 when this phenomenon was noticed in the switchyard at Tarapur, a special committee was formed and had made some recommendations. These, I believe, are either under consideration or have not been accepted.

There is another factor which needs to be considered arising out of 'jolts' in the system. Every tripping on the high voltage grid invariably results in an avoidable stress on the system. The 21 'jolts' referred to by me earlier would naturally leave their imprint on the long-term life of the plant.

remedial measures

One can only hope that the lessons of June 1973 would have been learnt and urgent action will be taken to adopt remedial measures. I suggest action on the following lines:

(a) The Tarapur switchyard should be re-designed and upgraded to meet the environmental conditions and the requirements of the nuclear power station.

(b) Research and development effort on power system testing and maintenance should be initiated without delay. One of the earliest studies should be on monitoring the condition of the lines and adoption of measures to prevent the effects of salt, industrial and natural pollutants, which could well be on the increase in future.

(c) Establish an overall co-ordination authority in the grid to co-ordinate and control normal and emergency operations of the grid. This organisation would also ensure maintenance audit on the EHV grid.

(d) Obtain sophisticated line maintenance and repair facilities such as hot line tower work and hot line washing equipment to combat corona and salt pollution. Appropriate training of the directing and maintenance staff should also be arranged for.

Before I conclude, I would like to say that the loss of industrial production in this area would have been significantly higher during the last dry season had not there been full cooperation from industry, labour, the power supply companies and the government of Maharashtra. In particular, it has to be mentioned that it was due to the untiring efforts and vigilance on the part of the minister for Industries and Power that the situation resulting from the trippings in the month of June was kept within reasonable control. I venture to hope that the remedial measures outlined together with any other would receive close attention of the authorities and Bombay will be saved the prospects of another serious failure and/or trippings in the future.

Should more money be sunk in Neyveli?

T.V. Sivaraman

Is it possible to pull the Rs 182-crore Neyveli lignite complex — the tenth largest public sector project in the country— — out of the red? The new chairman of the corporation, Mr S. Yagneswaran, is confident that the integrated project could be made a paying proposition by pumping in more money. And this is a stupendous Rs 355 crores, including the cost of expansion.

Never once during its working span of 17 years did Neyveli, which was planned to produce 6.5 million tonnes of lignite, 600 MW of power, 152,000 tonnes of urea, 320,000 tonnes of carbonised briquettes, 6,000 tonnes of white clay and other by-products, achieve any target. All that the corporation has returned so far to the nation is a colossal loss of Rs 58 crores.

Against this background of continued failure to achieve goals, one is not sanguine about the miracle that could be brought about by a further investment of Rs 360 crores at a time when the resources position is not comfortable.

ambitious scheme

The Neyveli Lignite Corporation (NLC) was set up back in 1957 at the instance of the then Congress-run Madras government. This was at a time when industrially ambitious Madras state was experiencing power cuts year after year due to its almost complete dependence on hydel power. It was thought that a scheme for producing power from lignite — the existence of 2,000 million tonnes of lignite was established in and around Neyveli — would give a spur to industrial activity in the state and attract more investment.

This "ambitious scheme" which was initially acclaimed as "first in Asia", "symbol of Indo-Soviet cooperation" and the like, soon became the target of attack as a "white elephant', and a "testimony to the failure of public sector planning in India."

What is the bane of Neyveli? It is a case of bad planning rendered worse by 'ad hoc' decisions at all levels all these years. The principal reasons for the failure of Neyveli are the under-utilisation of capacity, outmoded methods of production and uneconomic price obtained for power.

While the production capacities on the various plants have been based on an annual output of 6.5 million tonnes of lignite, the present mine capacity is only 4.5 million tonnes. What is worse, the output of lignite never exceeded 4.2 million tonnes even in the best year, which was 1969-70.

heavy overburden

The peculiarity of the open cast Neyveli mine is the presence of a hard stratum of overburden — the Cuddalore sandstone which is tough and abrasive. The overburden is heavier than that in other lignite mines in the world. To reach the lignite table in Neyveli, one has to delve 180 ft deep and the overburden is four to five times the quantity of lignite obtainable. The overburden as well as lignite are removed by German-made bucket wheel excavators and transported to consuming centres through conveyor belts. These bucket wheel excavators, designed to suit the German mines, are said to be inadequate to cope with the Neyveli sand. Added to the hard overburden is the problem of dealing with the pressure of water below the lignite seam. The underground water has to be pumped out at the rate of 50,000 gallons per minute and the mine can advance only if the pumpsets move ahead first.

In 1971-72, the mine output was 3.72 million tonnes and in 1972-73 the output was lower at 3.0 million tonnes. This was due to a large backlog of unexcavated overburden of nearly two million cubic metres caused by the general slowing down of work following labour unrest in the complex and the heavy rains during the north-east monsoon last year.

Power generation at Neyveli had been lagging due to the poor production of lignite. Against an installed capacity of 600 MW, the average generation for a while was as low as 50 MW sufficient only to meet the demands of the Neyveli complex and township. This was at a time when hydel generation in Tamil Nadu had touched the nadir and output at Ennore thermal plant also was affected by short supply of coal.

The largest single factor contributing to the monetary loss of Neyveli is the uneconomic rate at which power is sold to the Tamil Nadu Electricity Board (TNEB) which is the sole customer for Neyveli power. The generation cost at Neyveli works out to 9.75 paise per unit. But the TNEB has been purchasing power from it at much lower rates. The board paid only 5.2 paise per unit until five years ago, although this was later revised to 7.0 paise. Recently, however, an escalation has been agreed to and under the scheme the power board would pay 8.29 paise in 1973, 8.48 paise in 1974 and 8.68 paise in 1975. It must, however, be pointed out that the selling price is still uneconomic to the NLC. The matter is made worse because there is no assured offtake by the state electricity board and at times the NLC is forced to keep down generation. For instance, after the south-west monsoon set in, the peaking problems of the TNEB during night hours (even when the state was under a 75 per cent power cut) forced the NLC to lower production.

outmoded process

At the fertiliser plant, the problem is not of lignite, but the outmoded coal gasification process for converting ammonia into urea. Half the loss of the corporation last year was accounted for by this plant with an investment of Rs 39 crores. Against its rated capacity of 152,000 tonnes, the peak production attained so far has been only 89,000 tonnes. The cost of production of Neyveli urea works out to a fabulous Rs 1,100 per tonne against the market price of Rs 780.

The briquetting plant also worked only to 15 per cent of its capacity for want of lignite, forcing domestic consumers of 'leco' to switch over to other fuels.

An expert committee, which investigated into the troubles of Neyveli recently has concluded that with facilities available at present only 3.6 million ton-

nes of lignite could be mined in a year. This is recommended to be stepped up to 4.5 million tonnes by resorting to blasting and installation of additional equipment valued about Rs 11.5 crores. Preparation of a detailed project report to step up the ultimate mine output to 6.5 million tonnes — which was originally envisaged and which alone can ensure the full utilisation of the existing capacity of all units of the NLC — has also been recommended.

There has, of course, been a welcome change in the power output at Neyveli with the assumption of charge by Mr S. Yagneswaran, a mining engineer with vast experience, as chairman towards the end of last year. He has been concentrating on the improvement in the output of the mine and the new measures have been reflected in a sharp rise in the power generation to 400 MW in recent weeks. Two generators are in the process of being converted to oil firing and the TNEB has agreed to absorb the consequent rise in cost. Additional mining equipment costing over Rs 11.5 crores has already been ordered for and when this is put into operation lignite output will rise to 4.5 million tonnes. It is stated that a fresh investment of Rs 36 crores would be needed to raise output by another two million tonnes to the optimum level of 6.5 million tonnes.

The fertiliser feedstock is now considered unsuitable. It would call for an investment of at least two crores of rupees to revamp the plant to make use of fuel oil in which case, it is claimed, the production cost could be brought down by as much as Rs 450 to Rs 650 per tonne. Fertiliser production was as low as 35 per cent of the capacity last year and it is expected to increase by another 15 per cent during the current year. The union minister for Petroleum and Chemicals, Mr D.K. Borooah, has recently said that imports of naphtha and crude are becoming costlier and therefore fertiliser plants in future would have to be based only on coal. In view of this shift in the fertiliser strategy one wonders if a change in the feedstock would help Neyveli in the long run. There is need for a careful reappraisal of the fertiliser unit and if it could not be made viable without any more investment, it would be better to scrap this unit altogether.

The production at the Rs 30 crore briquetting plant is also likely to be stepped up to 40 per cent during the current year. But the idea of using Singareni coal at Neyveli for making briquettes does not seem to be a workable proposition.

It is now argued that only a second mine cut could assure the profitable working of the NLC in the next 50 years and quite a lot of pressure is also being applied by the state government on the centre for an early sanction. Along with the second mine cut a super thermal station of 1,000 MW capacity is planned. While the mine cut would cost Rs 106 crores, the thermal station would involve an investment of Rs 200 crores.

In this connection it may be noted that up to 1969-70, the union government's investment in central sector projects in Tamil Nadu was only Rs 377 crores and an additional investment of the order of Rs 306 crores (excluding the Rs 49.50 crores needed for making the present mine viable) in a losing project cannot be said to be worthwhile, especially when such a huge outlay would be enough to take care of the project cost of a new scheme like the Salem Steel Plant (estimated cost Rs 340 crores).

It will be advisable on the part of the government to invest only that sum which is urgently needed to raise the capacity of the mine to the originally planned level of 6.5 million tonnes so that all the existing units could work to full capacity. The present mine can be worked for another 15 years and no harm would come by deferring the investment decision in Neyveli.

Problems in marketing Virginia tobacco

G.V. Narayana Rao

INDIA, THE third largest producer of tobacco next only to the USA and China, produces several varieties of leaf tobacco among which the flue-cured Virginia type is prominent from the export angle.

The importance to the national economy can very well be judged not only from the fact that its exports fetch foreign exchange of Rs 35 crores per year but also because it brings in a revenue of about Rs 204.2 crores per year to the national exchequer by way of excise duty; four crores of rupees by way of export duty and about Rs 12 lakhs by way of agricultural produce cess.[1] Further, the industry in its cultivation and marketing sector provides employment to about 10 lakhs of peasants and labourers besides thousands of white-collared employees.

The suitability of the soil and climate, the presence of a large number of buyers in the market, a strong and continued demand for export and internal consumption of tobacco by cigarette factories, and a steady expansion of the cultivated area under the crop have all contributed to its growing importance in Andhra Pradesh.

But the crop is beset with enormous risks right from the stage of raising the seedlings till the stage of curing the leaf. A light shower at the time of its priming (harvesting) or a slight error in flue-curing spoils the colour of the produce and leads to heavy loss. The growers undertake this risky task of tobacco cultivation year after year in the hope of a good market. But the expectations of the growers are frequently belied due to lack of organised marketing facilities and consequently frequent gluts in the market. Virginia tobacco, therefore, merits a closer attention from the state and central governments, in solving the problems during its production as well as marketing.

It is thus obvious that the study of a few aspects of the marketing of the important commodity would be useful. An effort is therefore made in the present article to spotlight the various issues connected with marketing of flue-cured Virginia tobacco in Andhra Pradesh which accounts for 95 per cent of total production of this variety with particular emphasis on growers' interest.

The Indian Leaf Tobacco Development Company Limited has been mostly responsible for the introduction, propagation and regular purchase of Virginia tobacco in Andhra Pradesh. About 80 per cent of

Virginia tobacco produced in the state is generally purchased by a few major buyers, *viz.*, Indian Leaf Tobacco Development Company Limited, Golden Tobacco Company Limited, Navabharat Enterprises Private Limited, National Tobacco Company of India Limited and British India Tobacco Corporation Limited. These concerns, besides a small number of other exporters, have established a number of purchasing platforms and buying points all over the tobacco growing belt for purchasing Virginia tobacco. They also go to the villages in times of shortage of production, and purchase their requirements directly from the growers.

Further, there is a number of speculators who purchase tobacco on credit and sell it after processing, to the major buyers either in packed form or in loose graded leaf and reap some profit out of the transactions.

The marketing of flue-cured Virginia usually commences from the first week of February or earlier to keep pace with the commencement of curing in any particular year and closes by the end of April.

The Indian Leaf Tobacco Development Company Limited, in consultation with their associates in the UK determines the purchasing policy and the price to be paid to growers in any season. The other Indian traders follow them.

grading of produce

The growers bring their cured produce to the purchasing platforms of the companies for sale. The produce is graded by the growers in the conventional way of grades one-V to eight-V and to suit the requirements of the trader to whom the produce is offered for sale. These grades differ widely from the export grades. Each bundle contains a mixture of export grades in a varying proportion. The buyer of the company breaks open each bundle, pulls different samples out of it and fixes the prices according to his own estimate of the proportions in which several export grades are contained in each bundle. If the prices offered are not acceptable to the grower, he is obliged to take back the produce to his village.

Under the excise regulations, the producer is required to dispose of the entire tobacco by the end of June of the year of harvest and report to the central excise authorities and square up the accounts. If for any reason he is not able to dispose of his stocks by that date he has to execute a bond for storage of the stocks held by him, and thereafter maintain stock accounts. Even after executing such a bond the grower can keep the stock only for one year under the excise rules, afterwards he has to pay either excise duty or part with stocks gratis to a licence holder as the grower cannot destroy the stock. To avoid all these complications arising out of rigid excise regulations, the grower prefers to dispose of his tobacco at any rate.

tedious task

In many cases, the grower reluctantly parts with his produce to save himself from the tedious task of tying up the broken bundles again, transporting them back to his village and that too after having waited for a considerable time for getting his chance amongst the numerous other sellers similarly waiting to have their tobacco examined and assessed by the company's buyer. Another important factor that compels the grower to part with his produce for any price that is offered is that, if not redried in time after curing flue-cured Virginia tobacco will rapidly deteriorate in colour and consequently in price. Thus the grower is at a disadvantage in the bargain.

The sale proceeds are realised by the growers in respect of disposals on platforms of foreign companies either on the day of the sale or at any rate within a week of the sale. Other firms pay 50 per cent of the value of the produce at the time of purchase and the balance amount in instalments spread over a period of 8 to 12 months, commencing from the date of purchase of tobacco by them.

The defects of the existing system of marketing can be summarised in a few words. Firstly, under the current method of selling, there is no possibility for the growers to get competitive prices, since the produce is sold on the purchasing platforms owned by individual traders. Secondly, if low prices are offered at the depots of the companies, the growers are forced to take back the produce to their villages because of rigid excise regulations. Thirdly, sale proceeds are not realised by the growers immediately after the completion of the transactions. It is estimated that about 50 per cent of the produce is purchased on deferred payment by the firms. Fourthly, in some cases, there are mischievous weighments due to defective scales, weights etc., in spite of controls imposed by excise and weights and measures departments. Fifthly, in the absence of redrying by scientific storage facilities, the growers cannot either hold back the produce for a better market or abstain from distress sales in times of glut in the market. Finally, under the central excise regulations, the grower cannot hold his tobacco after the end of June of that year without executing a bond to the excise authorities.

Thus the present system of marketing Virginia tobacco in the state is not satisfactory to the growers. In view of the national importance of this crop as a valuable foreign exchange earner and good source of revenue to the exchequer, it is imperative to protect the interests of the thousands of farm families who raise the crop. It is essential that the government takes steps for evolving and implementing a comprehensive scheme to develop the tobacco leaf industry by stabilising the primary marketing of this crop to ensure a fair deal to the growers. Without such guarantee, the prospects of this crop may seriously be hampered; and that in turn may cause reduction in the country's foreign exchange earnings. If allowed to

TABLE I

Comparative Cost of Production and Returns in 1969

Crop	Cost of production per acre (Rs)	Average yield per acre (Rs)	Gross income per acre (Rs)	Net income per acre (Rs)
Chillies	890.25	500	1625.00	734.75
Cotton	963.00	800	2400.00	1431.00
Bengal gram	398.00	400	800.00	402.00
Coriander	375.00	480	1200.00	825.00
Tobacco	945.00	334	1202.40	257.40

Source : (1) The Annual Report of Guntur Market Committee, 1969-70
(2) Survey conducted by author—1971.

continue, the present state of affairs will force the grower to divert his attention from tobacco to other commercial crops which at present fetch higher returns. This can be seen from Table I (p. 315). It can also be noted from Table II that Indian growers' returns are meagre when compared to his counterpart, both in the USA and Rhodesia; he suffered a loss of Rs 52.35 per acre in 1956. Even the average yield of FCV tobacco is very low in India. The yield per hectare in the USA is 2300 kg, in Rhodesia 1320 kgs, in the Korean Republic 1780 kg, in Malawi 1120 kg, in Pakistan 1110 kg and in India only 540 kg.[2]

An attempt is made here to offer suggestions for improving the methods of production, marketing and export of this crop so as to enhance the producers' margin.

In the USA under the price support scheme established in 1965 the statutory acreage and poundage are fixed under which 'each individual grower can plant only his allotted acreage.'[3]

The Federal Tobacco Marketing Act of 1955 which incorporated many of the provisions already in force in South Rhodesia, controls all aspects of tobacco production, sale and export.[4]

But in India, at present, production of tobacco is not on a planned basis and this has been one of the main causes for frequent gluts in the market. The erratic production can be seen from Table III. In 1954, 1959, 1964 the tobacco industry faced crisis. In 1954 marketing the low grades presented a problem, while it was the difficulty of disposal of top grades that worried the growers in 1964. In sufficient demand for the entire production 1959 and 1972, the difficulty was lack of of tobacco. In the present set-up growers are always put to much distress and heavy loss owing to glut in the supply of tobacco. Besides, current trends in tobacco marketing indicate that foreign buyers are not inclined to favour Virginia tobacco produced on saline or alkaline soils because of its undesirable qualities of low burning and rapid deterioration in colour. However, the traders are buying tobacco produced in such soils at times of shortages at premium prices, and in times of more than normal production at very cheap prices and mix it up with good tobacco and make their average purchase price economical. Still the grower is able to get more than average return from tobacco grown in these soils because the average yield per acre is one and half times that of normal soils. Thus it appears the trader is mainly responsible for continuous cultivation of tobacco in these undesirable soils.

Statutory steps seem to be called for to stop the production of tobacco on these undesirable soils.

It is necessary to assess well in advance of the plantation season, the demand (internal as well as external) for tobacco and to plan its production accordingly.

The Ag-Mark grading system introduced in 1945 based on colour has became flexible to suit the preferences of the foreign buyers from 1964.

But the grades in use at the level of primary marketing differ widely from the export grades. This lack of correspondence between the grades at the two levels makes it difficult to say whether the growers receive fair prices for their produce. The growers often complain that the prices offered for their tobacco are not remunerative. It is necessary to adopt the same grade standards for both internal and export markets to avoid this problem and help the growers.

If the grading system is to be scientific it is necessary to take the geographical area of productian into consideration, besides the leaf position on the plant. By grading each priming separately, uniformity in grades is more easily obtained.

TABLE III

Area and Production of Virginia Tobacco in Andhra Pradesh

Year	Area ('000 hectares)	Production (million kgs)
1956-57	68.8	56.00
1957-58	74.0	53.00
1958-59	86.4	59.00
1959-60	110.0	66.30
1960-61	85.4	65.80
1961-62	81.4	57.90
1962-63	92.2	68.00
1963-64	140.1	108.90
1964-65	106.3	89.70
1965-66	99.2	76.00
1966-67	124.4	101.60
1967-68	142.8	104.10
1968-69	143.0	117.50
1969-70	136.2	77.70

Source: Directorate of Marketing, Government of Andhra Pradesh; Agenda and Notes; March 15, 1971.

TABLE II

Comparative Costs of Production, Prices and Returns per Acre

Country	year	Average cost of production per acre	Average yield per acre in lbs.	Average cost of production per lb.	Growers' average price per lb.	Growers' average gross returns per acre	Growers' average profit or loss per acre
Rhodesia	1956	£ 99 Rs 1319.67	841	Rs 1.57	32.96 pence Rs 1.83	Rs. 1539.03	+Rs 219.36
India	1956	Rs. 591.00	665	Rs 0.89	Rs 0.81	Rs 538.65	—Rs 52.35
USA	1962	$ 550 Rs 2612.50	1930	Rs 1.35	59.5 cents Rs 2.83	Rs 5454.66	+Rs 2842.16
Rhodesia	1962	£ 124 Rs 1652.92	1023	Rs 1.62	34.96 pence Rs 1.94	Rs 1984.62	+Rs 331.70
India	1962	Rs 700.00	695	Rs 1.01	Rs 1.03	Rs 715.85	+Rs 15.8[illegible]

Source : (1) *Rhodesian Tobacco Journal* : January 1959, June 1963 and August 196[illegible]
(2) Annual Report of the Guntur Tobacco Market Committee, 1956.
Conversion rates: $=Rs 4.75, £=Rs 13.33

and the number of grades to be made in any particular case will be materially reduced.[5] This method of grading is followed both in the USA and Rhodesia. It is not difficult to follow this method of grading in India, but the growers are afraid that if they grade their tobacco into well-defined standard grades, the buyers may not buy the low grades from them during certain years for want of export demand. Introduction of standard grades at farmer's level for the purpose of primary marketing is thus likely to result in the accumulation of low grades at the farmer's level. Unless the government or some official agency undertakes the responsibility of buying all grades from the grower, it may not be possible to implement this system of grading successfully.

The adoption of this system of grading the produce before it leaves the hands of the grower would be not only helpful in the fixing and enforcement of floor-prices but also in the efficient conduct of auction in the market yards.

It is an admitted fact that an assured market and remunerative minimum prices are the back-bone of an agricultural economy and essential for promoting the welfare of the producers.

minimum prices

Minimum prices in Rhodesia and support prices in America are fixed at farmers' level. 'Before the opening of auction sales each year the minister of Agriculture has to announce minimum prices for the local and for other markets for the ensuing season'.[6] Under legislation expiring in 1954, support of prices at 90 per cent of parity is mandatory for six so called basic commodities—corn, cotton, wheat, tobacco, rice and peanuts. Support is also mandatory.[7]

The export minimum prices fixed since 1963 have to some extent imparted stability to the marketing of tobacco at the international level inasmuch as it has stopped undesirable competition among the exporters and the consequent underselling of this national produce. If minimum prices at the farmer's level are also fixed in the light of the cost of production, the primary marketing of tobacco will be stabilised ensuring a fair return to growers.

In major tobacco-producing countries such as the USA and Rhodesia marketing of tobacco is done on auction floors.

Around 95 per cent of the tobacco grown in the United States is marketed by the auction method. Most of the remaining five per cent, made up principally of cigar-leaf tobacco, is sold directly on the farms.

The growers deliver their tobacco to the auction warehouse of their choice, where it is sold to the highest bidder. The bidders are buyers for manufacturers, dealers, exporters and independent dealers.[8]

In Rhodesia and Malawi all types except the Turkish type are sold at the auction floors. A grower may send his tobacco to an auction floor; it is graded either by the grower or by the commercial trader to whom this task may be entrusted.[9]

uncompetitive prices

But in India growers bring their cured tobacco to the purchasing platforms of the traders for sale. Under this system growers cannot be expected to be able to get competitive prices for their produce. If the graded produce is pooled and sold in public auction in the regulated market yards, there is scope for proper assessment of the quality of the produce so that competitive prices are secured for it.

In accordance with Sub-Clause 6 of Sec. 7 of the Andhra Pradesh (Agricultural Produce and Live stock) Markets Act, 1966, no person shall purchase or sell flue-cured Virginia tobacco in a notified market area, outside the auction floors of markets established in that area. All sales and purchases of flue-cured Virginia within the prescribed radius to the market called as the notified market area, are prohibited except at the auction floors of the concerned markets.

But this Act was not implemented till today in Andhra Pradesh. Previous experience shows that the piecemeal auction system is a failure. The reasons for failure are: (1) traders were purchasing negligible quantities on the auction floors and sometimes forcing the growers of the restricted area to sell their produce at their purchasing platforms situated in the free zone; (2) The area of operation of the scheme being restricted to a small portion of the tobacco belt, (radius of 10 miles—Guntur, Mangalagiri and Tadikonda) the traders could afford to buy their requirements outside the restricted area by altogether abstaining from purchasing the produce arriving at the yards; (3) A large number of Indian traders could not purchase their requirements in auction sales because of their inability to make spot payment to the growers.

For the successful working of the auction system, the following steps should be taken. (1) The auction system has to be introduced throughout the tobacco growing area of Andhra Pradesh. (2) All primary sales and purchases of tobacco should be conducted only on auction floors. No sale other than on auction should be permitted. (3) Produce graded at farmer's level should be allowed to be sold on auction sales. (4) Cash payment to growers should be made compulsory immediately on completion of transactions. (5) The entire tobacco belt in the state should be covered with a net-work of well-equipped yards and they should be so located that a grower is not required to transport his produce for sale beyond a distance of 10 kilometres. As it involves heavy investment, for the construction of well-equipped yards, the existing platforms of traders can be converted into auction floors for the time being. (6) The left-over stock should be purchased by the government agency at the minimum prices fixed at the farmers' level.

heavy investment

Cultivation of Virginia tobacco involves heavy investment. The present provisions of the Markets Act 1966 do not provide for credit to the growers in connection with raising of crops. In the absence of adequate credit facilities to growers for meeting their cultivation expenses, they are compelled to borrow money at exorbitant rates of interest from traders and money lenders through whom they must ultimately sell their produce. Besides, it does not pay the small farmer to transport small quantities of produce to the market yards situated at far off places, and, therefore, he prefers to sell his stock in the village itself. No doubt since the introduction of social control over banking companies crop loans are extended for tobacco cultivation at the rate of Rs 500 per acre. But these loans are not extended to the growers who are not having title deeds for the land they own and keep as security. Due to the existing social structure in Andhra Pradesh, though the joint families are divided, *de facto* title deeds still exist in the name of the original head of the family. The loans extended also were given through colateral securities who are either tobacco traders or dealers of coal and fertilisers. This again keeps the grower under the obligation of the trader or the dealer. Hence some of the growers are forced to go to the money-lenders. In order to free the growers from the cultches of the money-lenders, and traders and enable them to reap the benefits of regulated marketing, it is necessary that credit be linked with marketing. For this purpose, prov

…em should be made for the following …rrangement by amending the Market …ct.

The market committees should under…ake the responsibility of standing as cola…eral surity by registering every grower of …obacco with them. All the crop loans be …outed through the market committees.

Virginia tobacco is either to be sold to …igarette manufacturer or to exporter, …ut it cannot be consumed as other varie…ies of tobacco in leaf form. It is to be sold …n auction floors in market yards if auc…ion system is made compulsory. The …oans advanced to growers can be prompt…y realised since the agency through which …rop loans are advanced is also incharge …of arranging the marketing of the produce.

The United Kingdom, the principal …purchaser of quality tobacco in the Indian …market, has of late reduced to a consider…able extent the intake of Indian tobacco. The normalisation of relations with Rhodesia may further reduce the intake of Indian tobacco. Alternative markets are to be explored for the disposal of quality tobacco. But no systematic survey has been undertaken so far for marketing of Indian tobacco in any part of the world, though a number of delegations were sent to various countries. Some of the countries which are buying quality tobacco such as Japan might be induced to buy additional quantities by ensuring quality supplies.

By subsidising exports Indian tobacco can be made more attractive, but this could be thought of only after the nationalisation of export trade; this is particularly desirable for the disposal of large quantities of low grades which periodically pose serious problems.

The problems relating to an exportable commodity such as Virginia tobacco can be properly tackled on a national plane. An integrated approach is necessary to bring about an orderly development of this leaf industry. It is also essential to coordinate and direct the activities of the several departments of the state and central governments at present each dealing with tobacco in isolation. The need for setting up a National Tobacco Board to look after the production, price fixing marketing and export promotion of the product seems essential.[10]

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FROM THE PRESS GALLERY

Our Parliamentary Correspondent

New Delhi, Saturday

THE ABNORMAL rise in prices during the past one year or so again came up for discussion in the Rajya Sabha this week. The tenure of the five-hour special debate on the subject, however, was not much different from the discussions in the past two weeks when the issue was deliberated upon at the time of the debates on the "Approach to the Fifth Plan" and the present economic crisis. The only discernible difference was a clamour from some leftist members of the House for the demonetisation of currency in the interest of curbing the role of black money.

In his reply to the debate, the Finance minister, Mr Y.B. Chavan, categorically denied that the government had any proposal under consideration to demonetise currency notes. He agreed that the problem of black money was deep-rooted, but added that there was no simple solution to it. The government, Mr Chavan disclosed, had not accepted the Wanchoo Committee recommendations on demonetisation. Several other suggestions of this committee, however, had been incorporated in a bill which was before a joint select committee of the two Houses at present.

parallel economy

Admitting the existence of a parallel economy in the country, the Finance minister expressed the view that demonetisation was not the only answer to curb the evil of black money. He reiterated that the spurt in prices in the recent past was a "passing phase" and the basic components of the economy were quite sound. In support of his argument, he pointed out that there had been a considerable increase in exports last year and industrial production was looking up. As a result of satisfactory monsoons, the food position was also expected to improve.

The Finance minister stressed that in government's opinion, prices could be stabilised only through a well established public distribution system. He did not agree that had the wholesale trade in foodgrains not been taken over by the government, the situation would have been better. He countered the criticism about heavy deficit financing by saying that even expenditure for productive purposes some times had an inflationary impact. With a view to reducing excess liquidity in the market, the government, Mr Chavan said, was resorting to a heavy borrowing programme. He called for price resistance by consumers, but advised that people should not take the law into their hands.

no demonetisation

Dispelling the fears about demonetisation of higher denomination currency, the minister of state for Finance, Mr K.R. Ganesh, told the Lok Sabha that short of demonetisation, the government had initiated a series of steps to check black money. The government had not accepted the recommendation of the Wanchoo Committee for the demonetisation of currency as the tackling of black money problem was a complex problem.

Mr Ganesh also denied that a new series of 100-rupee notes had been printed. The new series, he disclosed, would be printed after the new security printing press at Dewas was commissioned sometime next February. Of the total currency of Rs 5,537 crores in circulation at the end of March, 1973, 100-rupee notes, he further revealed, accounted for Rs 2,848 crores. The Reserve Bank of India too, Mr Ganesh pointed out, had scotched the rumours that 100-rupee notes were not being issued by it.

In a separate statement in the Lok Sabha on Thursday, Mr Chavan detailed the steps which the government had decided to take, as an anti-inflationary measure, to reduce expenditure at the centre and the state levels by Rs 400 crores. Of this, Rs 100 crores are proposed to be saved in the state Plans by economies in non-essential expenditure. The Finance minister, however, did not give an assurance that there would be no further resort to deficit financing this year or that there would be no further rise in prices.

Among the steps Mr Chavan announced were included curtailing of non-Plan expenditure on contingencies, entertainment, travelling allowance, construction of non-functional buildings, maintenance of buildings and roads, holding of conferences and seminars an[d] creation of new posts and filling up [of] the existing posts. The public secto[r] undertakings, the Finance minister a[d]ded, had been told to step up their i[n]ternal resources mobilisation and min[i]mise their cash losses. They had als[o] been advised to introduce economy mea[sures] in non-Plan expenditure.

Besides the above steps, the Pla[n] expenditure, Mr Chavan said, was bein[g] reduced to some extent. "This will b[e] done in such a manner that the progre[ss] of key projects and programmes whic[h] are essential and are in an advance[d] stage of completion is not affected, whi[le] projects and schemes which are not e[s]sential and will require relatively lon[g] period to mature will be slowed down."

Winding up the Rajya Sabha debate o[n] the "Approach to the fifth Plan" — th[e] discussion was reported in this colum[n] last week — the minister for Plannin[g] Mr D.P. Dhar, assured the House th[at] finances would not be allowed to be [a] constraint on achieving the fifth Plan ta[r]gets. The financial investments propos[ed] for the Plan would keep in view the r[e]commended targets. The aim would [be] to fix realistic goals which could be achie[v]ed or even crossed.

farm output

Referring to agricultural developme[nt] Mr Dhar stated that the available fis[cal] and technological support should rai[se] the growth rate to about 4.7 per ce[nt]. Attempts would be made to improve far[m] output more through institutional a[nd] organisational changes than throu[gh] financial investment. The growth p[er]centages aimed at in the various segme[nts] of agricultural sector, Mr Dhar indicate[d] were foodgrains — four; other food cro[ps] — five; animal husbandry 3.84; and fore[st]ry 6.42. The total direct investment [in] agriculture was estimated at Rs 8,5[..] crores, which included Rs 2,000 cro[res] private investment. In addition, inve[st]ments in the manufacture of elect[ric] pumps for irrigation, fertilisers and co[ns]truction of rural roads, etc., would ha[ve] a bearing on agricultural development.

The investment in the core industr[ies]

ector, the Planning minister thought, ad to grow faster than in any other sector. Unless there were more fertilisers, teel, oil, power and coal, the economy would be constantly plagued by shortages, he stressed. Along with setting up dditional capacities in these lines of manufacture, an all-out effort, Mr Dhar aid, would be made to operate the existing capacities to the optimum levels. The Plan, he emphasised, sought to cure the mbalances that had occurred in the economy.

Intervening in a short discussion in the Lok Sabha on the delay in holding by-elections to Parliament and state legislatures, the minister for Law and Justice, Mr H.R. Gokhale, stressed that no imelimit could be fixed for holding these by-elections due to various unforeseen difficulties created by natural calamities such as severe drought and power crisis. The delay had also been caused as time was needed for revision of electoral rolls. Similar explanation was given by the minister for Home Affairs, Mr Uma Shankar Dikshit, during the debate in the Lok Sabha on imposition of President's rule in Uttar Pradesh when the opposition members called for an early election to the state legislature after dissolving the suspended state assembly. The Lok Sabha, of course, approved the take-over of UP administration by the centre. The Rajya Sabha approved the extension of President's rule in Andhra Pradesh by six months from September 1.

Export justified

The minister for Transport and Shipping, Mr Raj Bahadur, has justified the government's decision to continue exports of superior quality of basmati rice and hand-picked groundnuts despite the current difficult situation in regard to food and edible oils. Not only these exports, he said, constituted a small proportion of the country's production but these were also items of consumption by the affluent sections of society. Further, these exports earned for the country foreign exchange which enabled imports of items of mass consumption, including foodgrains, on a much larger scale.

The minister of State for Information and Broadcasting, Mr I.K. Gujral, told the Rajya Sabha this week that the government was examining delinking of radio from television which are under one set-up at present.

The Parliament has passed two bills to rename the state of Mysore as Karnataka and the Laccadiv islands complex as Lakhshadweep. It has extended the operation of the National Industrial Cooperative Development Corporation (Amendment) Bill to the state of Jammu and Kashmir.

The following important information was provided in the two Houses by various ministers:

(1) Railway earnings in the first quarter of this year have fallen short of expectations by approximately Rs 22.34 crores owing to shortfall in goods traffic. The current year's budget estimates were based on anticipations that railways would lift 10 million tonnes additional revenue-earning traffic. In the first three months of the year, they carried 2.4 million tonnes of freight traffic less than the target for the period. Working expenses, on the other hand, have been lower only by about Rs 1.2 crores. There has, thus, been an adverse swing of about Rs 21.14 crores in railway finances upto June, 1973. Since the presentation of this year's budget, the railways have faced an additional expenditure of Rs 14.3 crores on account of enhanced dearness allowance sanctioned to the staff with effect from May this year and Rs 1.2 crores on account of fiscal levies on steel. It is, however, too early to assess the ultimate financial results of railways, as the shortfall of the first quarter can be made up to some extent during the remaining nine months.

(2) There will be no mid-season increase in the procurement price of wheat, since most small farmers have already sold their grain at the prevailing procurement price and an increase in price would not inspire confidence in government's capacity to keep its word. No doubt, the cost of agricultural inputs has gone up by 47 per cent in the past two years, an increase in procurement price is not considered feasible on this count also as productivity too has improved from 47 to 48 per cent. The government would take all "relevant factors" into consideration while announcing a "remunerative" and "incentive" price for the next year before the crop is sown. The government will also see to it that there is no diversion of acreage from wheat cultivation.

(3) The incentive bonus scheme for the procurement of wheat has been extended up to the end of August. Orginally the scheme was to expire at the end of June. The time limit was earlier extended up to July 15. Wheat procurement upto August 3 aggregated to 43.44 lakhs tonnes.

(4) Credit facilities to wholesale dealers in foodgrains and food processing units are being reduced since June last year. The aggregate outstanding advances against the security of foodgrains fell from Rs 98 crores in June last year to Rs 42 crores in March, 1973.

(5) The revised land ceiling laws will also cover agricultural farms set up by big industrialists and monopolists.

(6) The exports of iron ore during the first three months of the current financial year increased by 31 per cent over those during the corresponding period in the last fiscal year. An export target of 42 million tonnes of iron ore has been fixed for the fifth Plan-end, as against the present annual exports of 23 million tonnes. In the fifth Plan, three-fourths of iron ore exports would be canalised through the MMTC.

(7) Approximately 25 per cent of the orders worth about Rs 8.10 crores placed by Japanese buyers for imports of textiles from India, have been cancelled as the buyers have disapproved the samples sent. The value of the contracts cancelled amounts to about Rs 2.5 crores.

(8) The State Trading Corporation has been authorised to import 15,000 tonnes of three major thermoplastics to meet the domestic requirements. The supply currently falls short of requirements by about 25,000 tonnes. The government is examining, in consultation with domestic manufacturers, the possibility of maximising production by installing minor balancing equipment.

(9) The government does not consider it necessary to import cement at present.

(10) The centre has approved the import of power generation plants for five projects — Obera thermal power station (Uttar Pradesh), Kundah hydel project stage-IV (Tamil Nadu), Linganamakki hydel project (Mysore); Surullar hydel project (Tamil Nadu) and Silent Velley hydel project (Kerala).

(11) There would be a shortfall of about 3.4 million kW from the fourth Plan target of power generation capacity. The addition to generation capacity expected during the fourth Plan period is 5.8 million kW, as against the target of 9.2 million kW.

(12) India would support any proposal from Bangladesh, if and when it comes up, to set up a shipping conference of south-east Asian countries. No formal proposal has yet been received, although an indication to this effect had been given by the chairman of the Bangladesh Shipping Corporation while receiving the second Indian vessel from the Shipping Corporation of India recently in Calcutta.

WINDOW ON THE WORLD

London

EEC relations with third countries

Jossleyn Hennessy

I

The Question of Association

AT THE end of this year the Yaounde Convention expires, and negotiations on a new association agreement for the Associated African States and Malagasy (AASM) are scheduled for this month. By the same time, the twenty Commonwealth states, the so-called potential "associables", will have to make up their minds about the type of association agreement they desire, if any. Broadly speaking, the Commonwealth states have three types of association open to them: the first would be to embrace the successor to the Yaounde Convention, the second would be a more limited type of agreement like that enshrined in the Arusha Convention of 1969 between the Community and east Africa, and the third is a straight trade agreement of a type favoured by Nigeria.

As yet, there are no indications of a united Commonwealth approach, still less of a joint negotiating position between the Commonwealth states and the 18 signatories to the Yaounde Convention. To date, only Mauritius has taken the chance of association, although in March Malawi applied to join the Yaounde Convention. Botswana and the Gambia are expected to follow. Indeed the lack of enthusiasm on the part of the African Commonwealth states provoked President Senghor of Senegal to accuse Britain of trying to dissuade the Commonwealth states from seeking association.

There is, in fact, a general Commonwealth reluctance to adopt the system of reverse preferences tied into the Yaounde Convention, a reluctance which has been forcefully expressed by Nigeria on the grounds that the whole business is neo-colonialist in conception. This view cuts across the AASM position which was put by President Senghor when, representing AASM he held preliminary discussions with the Commission on the renewal of the Yaounde Convention. He prefers the term "reciprocity" to reverse preferences. He told a press conference in Brussels that "reciprocity" must be maintained, on the grounds that the association is based on a free trade area which includes reciprocity and that without the free trade area there would be no association. This is not to say, however, that the Yaounde countries will be anxious to adopt an unmodified agreement. The changes that they feel are necessary were drawn up at a conference in Kinshasa at the beginning of April.

The basic problem is that the terms of trade have swung against the African states. The EEC/AASM Parliamentary Conference in Kinshasa unanimously expressed its anxiety about the trade deterioration, stating that European imports from AASM dropped in value during 1971. (In fact, between 1959 and 1969, Community imports from AASM dropped from 3.5 per cent of total Community imports to 2.4 per cent). As Mr Bo Boliko Lokonga of Zaire pointed out about the returns that the AASM were receiving from their primary products, "despite a short-term increase, prices have been steadily falling for several years, whereas European manufactured goods have become increasingly expensive. As a result, there has been a noticeable deterioation in the African countries' balance of payments".

But there are other concerns, too. The Kinshasa conference noted that the generalised preferences scheme had lost the AASM preferential access to the European market, and that the Community had begun talks on the reform of the international monetary system without prior consultations with AASM. And, in connection with the parity changes that have occupied the industrialised world throughout this year, the conference is anxious to see that the capacity of the European Development Fund should not be affected by changes in the parities.

new pattern

It is in response to the eroded advantage of the Yaounde Convention and to the new problems created by the possibility of a number of Commonwealth states being associated in the EEC that the Commission has enunciated its thinking on a new pattern of association, which would go some way towards meeting the difficulties that were expressed at Kinshasa and which have been inherent in the development of the Yaounde Convention. The ideas were expressed by Mr Deniau first, in a loose form, at Kinshasa and then in more detail to the European parliament. Their most striking innovation was to suggest a guarantee of a stable income for AASM primary products like sugar, groundnuts, groundnut oil, cotton, cocoa, coffee, bananas and copper. This represents a considerable step forward from the developing countrie's point of view, yet rather overlooks that the great need is for employment opportunities. Certainly employment opportunities are not created in the short term by a guaranteed income, if the products themselves cannot find a market.

The Commission also desires to soften the EEC position on reverse preference — a bow in the direction of the USA as much as towards the Commonwealth. Mr Deniau wanted to maintain the principle of free trade in both directions, but insisted that the associated countries should keep their full tariff autonomy and grant the same advantages to other countries that they grant to the Community, if that is their desire.

The Commission stresses that these ideas

are precisely that, and do not constitute a bargaining position. On the contrary, the Commission wishes to be flexible and start negotiations this month without preconditions, which is precisely what the Commonwealth countries also want. The coming months will indicate the degree of political approval that the Commission will gain from within the EEC and the extent of positive response among the developing countries. Two points are clear: (1) When the Commission is imaginative, it does not follow that the Council will be equally so; (2) the combined forces of AASM and the Commonwealth "associables" would make a formidable negotiating bloc.

II
Individual Countries

India considers that the Community's responsibilities towards the developing world will not be met until balanced trade relations with India have been established. Underlying this feeling is the heavy imbalance of trade, much in the Community's favour, and fear for the safety of Indian export markets following the linking of Britain into the Community trading pattern. The groundwork has now been laid to see whether the Indian strictures can be met within the terms of a commercial agreement. In fact, the Community decided in December, 1972, that it was prepared to enter such an agreement, but it took four months for any decision to be reached on the Community negotiating position. India is anxious to press ahead, especially to solve the problems of its jute and coconut fibre exports, so that the terms of a final agreement will probably not be long delayed.

The Mediterranean: A clear negotiating position on overall Mediterranean policy has still to be defined. The latest attempt by the Council of Ministers to debate the policy faltered because most of the ministers had left the meeting by the time the item came up on the agenda. As Sir Christopher Soames remarked on behalf of the Commission, without political impetus, the whole policy will become a farce.

In fact, earlier sessions in March had not succeeded in bringing the definition much closer, because a severe breach opened in the Council over the question of reverse preferences. The Commission had proposed a system similar to that which it has suggested for the developing countries of AASM: the maintenance of the free trade principle, but the freedom of the Mediterranean country concerned to grant preferences elsewhere. This view was supported by France on the grounds that if the free trade principle was not maintained, the policy would fall foul of the GATT rules. Italy's position was rather softer and Belgium was prepared to consider the matter, but Britain, Denmark, West Germany, Ireland and the Netherlands came out strongly against the idea. They feel that the Community should not demand concessions from developing countries and, in any event, the pursuance of the policy would damage relations with the USA.

The matter rests undecided but efforts are being made to solve all policy differences on the Mediterranean, so that negotiations may take place with the Maghreb countries, Spain and Israel. The question does not affect Spain and Israel, with whom free trade is the goal in any case, but it does affect the Maghreb as the agreements negotiated here could be the prototypes for the agreements reached later throughout the region within the parameters of the overall policy.

Additionally, the Community has to resolve its position on a variety of technical points. There is no problem on the goal of industrial free trade, but a system has to be devised to cater for refined oil imports from the Maghreb. and in particular for imports of Algerian oil, negotiations on which have already reached deadlock. Equally, the Community has to draw up a list of the products that it considers would be sensitive to import from Spain and Israel, and to define the levels of protection that it wishes to maintain. Lastly there we come to the eternal question of the EEC's agricultural products and the steps necessary to shield the Community market from disruption.

> JOSSLEYN HENNESSY
> will be on holiday from next week. He will resume his weekly report from Europe in our issue dated September 4.

Meanwhile, bilateral contacts between the Community and the Mediterranean countries have continued for the development and adaptation of trade agreements.

Morocco: A protocol to the agreement of association has been signed, which adapts the former agreement to the fact of Community enlargement and increases a number of Moroccan export quotas to the Community.

Tunisia: A similar protocol to that of Morocco has been signed. The signatories laid stress on the cultural links between Tunisia and the Community.

Israel: The existing agreement has been extended for a further year, but the protocol is transitional. Israel would like a new agreement to come into force at the beginning of 1974, and this agreement should, according to the Israeli Foreign minister, be based on a free trade area "and it will include the free movement of products for the industrial sector and for a substantial amount of agricultural products, as well as a section on co-operation in the fields concerning both parties". This stress on enlarging the scope of the present agreement is, in purely economic terms, the result of the trade imbalance in the Community's favour, which Israel sees as being partially corrected by free trade on a wider range of products. Israel would like, for example, customs reductions on its citrus fruits.

Spain: Although an additional protocol has been signed with Spain, which adapts its agreement with the Community of Six to the Nine, the new members will not apply the commercial provisions during 1973. They will continue with the systems applied in 1972 in order not to disturb the existing pattern of trade. Spain's attitude to the protocol is the same as that of Israel: "It was merely intended", said the Foreign minister, "to avoid a legal vacuum in the period necessary to negotiate a new agreement". As far as Spanish desires to accede to the Treaty of Rome are concerned, the minister contented himself with saying that "Spain is above all a European country, which inclines towards integration in the new Europe which is being built".

Turkey: The Community has adopted a position on the negotiations aimed at adapting the Ankara agreement to the enlargement of the Community. Problems arising because Turkey is not included within the system of generalised preferences, yet already occupies a special position in relation to the Community, have led the Council to adopt a formula for customs reductions by the new members, which will apply to industrial products all the customs reductions envisaged by the Community over five stages in one stage, except for textiles, and, in the case of Ireland, shoes. This suggestion will now be discussed with Turkey.

Malta: Refusal to make a technical adaptation of its agreement with the Community consequent upon enlargement unless the Community opens negotiations on a wider agreement has not provoked more than a cautious response. The Community has not defined a timetable for negotiations beyond saying that work on the Mediterranean policy, and notably Malta, would receive priority.

III
The United States of America

The differences in interest between the Community and the USA over international monetary and trade problems, and the dispute over the Community's wider

ing preferential trade system, have seemed to blunt the thrust of political policy that one would have supposed might follow from President Nixon's suggestion that for him 1973 is the "year for Europe". In spite of the visits of Euopean leaders to Washington—Mr Heath, Mr Andreotti, Sir Christopher Soames — and in spite of the visit to Brussels of the president's envoy, Mr Paterson, or the biannual round of talks, it is clear that Community-USA relations are at a lower ebb than they should be. Contact has not produced understanding, still less an identity of interest.

Towards the end of April, Dr Henry Kissinger's concept of a new Atlantic Charter was launched, and what the "year for Europe" might entail became clearer. Beneath the rhetoric about a redefinition of goals was an American sense of frustration, and implicit in the message was that the Community should embrace the political role that its economic power renders inevitable.

The problem is that the United States has consistently encouraged the movement towards unity in Europe, but feels the vehicle of that unity — the Community —is a lop-sided creation. The unity has worked out in an economic context. Politically, the Community nations are much less advanced. Yet only if there is political advance can the consequences of the EEC's economic power be controlled. The key to Atlantic harmony is a political one.

IV

Eastern Europe

Although trade relations with eastern Europe have been a Community responsibility since the beginning of the year, there is little agreement on how this common trade policy should function in practice. Most of the discussion within the Community is on the degree of liberalisation that should be accorded to imports from the eastern European countries. Until the lists that each country maintains are harmonised throughout the Community, there is little hope that the Community will be able to negotiate with individual countries in the east. The Council having failed to agree on what products should be liberalised on a Community basis, the buck has been passed to the Committee of Permanent Representatives for further consideration.

Even if, however, the Community should agree on levels of liberalisation, what will be the attitude of the eastern bloc themselves? They are not prepared to negotiate with the Community member states.

If bloc-to-bloc negotiations may be ruled out in the near future, that has not stopped the development of bilateral contacts between the Community and the less rigid states of eastern Europe :

Yugoslavia: In March a trade agreement on cotton textiles was signed, which suspends a number of quantitative restrictions on Yugoslav exports to the Community. In effect, the Community is extending to Yugoslavia the system of generalised preferences for cotton products in line with the provisions of the GATT long-term agreement, to which Yugoslavia is not a signatory. The agreement is for one year, and subject to review at the end. While this particular agreement may go some way towards redressing the adverse trade balance that Yugoslavia has with the Community, Yugoslavia's main aim is a wider trade agreement to replace that which expired on April 30. Negotiations to extend the existing agreement and conclude another have started. The new agreement will be of wider scope than the existing one, but on a non-preferential basis.

Sources and ackowledgements: The foregoing summarises, by special arrangement, a report in depth in the latest issue of *European Trends*, published quarterly, to subscribers only, by the Economist Intelligence Unit, 27 St. James's Place, London SWIA: INT, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments.

Indicators for parity changes

E. B. Brook
Vienna.

THERE ARE various guesses at, in modern jargon, "the highest level" as to when the monetary world will begin to become more settled: The British Chancellor, conservative by nature as well as by politics, puts it as late as next spring; his Austrian opposite number is more optimistic and sees better days beginning at the end of this year. Others have not ventured a prediction and one thing is clear —the time is not yet. The British pound has steadied for the time being at a very low level but at least its slide has been temporarily halted: the basic trouble is that no one has any confidence and, while that is the case, money values internationally will remain unstable. Meanwhile bank basic rates and the cost of living rise steadily and all except those with very adequate reserves are put at increasing disadvantage in business and everyday living.

Britain and France have the highest bank rates in Europe: Britain with a record 11.5 per cent and France with 8.5 per cent. West Germany, with a more moderate 7.0 per cent, is level with the US banks' rate and the Netherlands equals the Japanese rate at 6.0 per cent. Belgium is 0.5 per cent higher but the moderates begin with Austria at 5.5 per cent followed by Sweden at 5.0 per cent, Switzerland at 4.5 per cent and the Market's weakling, Italy, with a cheap lending rate at a mere 4.0 per cent. The Market's big three are joined in a battle for funds with increasingly attractive deposit and even short-term deposit interests — in fact it is the scramble for short-term money that makes the money markets so unsettled and allergic to one another's moves.

In day-to-day business an unhealthy, feverish state of affairs remains, for the time being, unimproved by the prospects for political compromise on monetary reform reached by the Committee of Twenty in Washington recently. For the first time European countries agreed to the need for sanctions to penalise countries which persist in running chronic balance of payments surpluses. The devaluation bias against the dollar, the main weakness of the old Bretton Woods system, has put unnecessary pressures on countries in a weak balance of payments position to devalue rather than pressing countries in a strong balance of payments position to revalue. A system of sanctions could make a new monetary system more symmetrical. Both the West Germans and the French put forward the sanctions idea, the French being the more specific in suggesting the use of a negative interest rate — a fine to the International Monetary Fund on that portion of a country's reserves which exceeded a permitted ceiling.

Countries in chronic surplus might

also lose the right to convert their holdings of currencies into primary reserve assets—gold or Special Drawing Rights—and their rights to receive Special Drawing Rights from the Fund. The idea opens the way for a compromise on the sharp differences between the USA and much of the rest of the world, including Europe and Japan, on the use of objective indicators to influence the adjustment process. The most encouraging result to emerge from the latest and most productive Washington session of the Twenty is the fact that the Americans were deeply interested in the French and West German idea and indicated a willingness to relax their insistence that a country's official reserves is a main indicator for the need for parity changes.

small beginning

It is probable that, despite more optimistic estimates by Finance ministers, at least another year will have to pass before a new monetary system, with the International Monetary Fund still as its pivot can be put into operation. The small beginning made towards wider agreement should have some calming effect on the market by eliminating one factor causing uncertainty, since it has been shown that compromise is now possible. The ideal is now more firmly than before a return to fixed parities, more flexible than was possible under the Bretton Woods system, instead of the present floating exchange rates — sinking rates in several cases: but it remains very uncertain, despite ministerial remarks, whether the genie of floating exchanges, having been released, can ever be corked up again. What appears to be more practically probable is that countries have reached a stage in which they cannot be prevented from floating their currencies permanently or temporarily if they wish to and in which countries that are not floating will have far more flexibility in their exchange rates than ever before. Both the US dollar and the pound sterling are now considerably undervalued — an excessive reaction from their earlier over-valuation and, after present uncertainties have been resolved, they will adjust to positions nearer their true values. The most important thing, after recognizing the inevitability of flexibility in exchange rates, is to devise reasonable rules within which that flexibility can operate.

It is important, also, to note and continue to observe how important industrial countries are reacting to present problems. One of the most important of these is prosperous—over-prosperous—West Germany. The Federal Republic of Germany is one of the most export-orientated countries in Europe. Even its iron and steel industries account for 25 per cent of their sales in exports. But while West Germany exports a high percentage of its products it imports a sizeable part of its labour—there are more than 2.5 million foreign workers in the republic and more are needed. This means an outflow of currency in wages to foreigners and an inflow of currency from abroad. If the feared and growing inflation, the increasing taxes and the ever-rising cost of money (day to-day money was charged at 40 per cent last week in Frankfurt) continue or become worse, a very critical situation could arise, causing internal social problems and deep economic perplexities.

Today, because of the strong Deutschemark, it is cheaper than ever before for West German companies to invest abroad. They are not waiting. Many are swiftly building production facilities in those parts of the world where labour is abundant and unit production costs are well below domestic West German levels. In the past few years West German foreign investment in industrial production in labour-intensive countries has surged — in the east Asia (particularly in Singapore, where the form of government is ideal for the purpose), in South America and now in Greece and Turkey. A highly increased — up to one billion marks — subvention to Yugoslavia may well see in the near future West German industry established also in a very labour-intensive European communist state.

As a result, Daimler-Benz is about to supply the USA with commercial vehicles from its plants in Brazil: sending such products from West Germany with its high costs and expensive currency would make them uncompetitive in the American market. Volkswagen, though it [cut off] cagey about this, may soon build a pla[cut off] in the USA itself. The idea of overse[cut off] production is, of course, not new. As r[cut off] ported some time ago, Sweden has fact[cut off] ries in Brazil where it produces p[cut off] from the very plentiful bamboo with t[cut off] labour of the very plentiful Brazilians a[cut off] in Portugal, instead of importing Port[cut off] guese. It may not be long before Franc[cut off] which has much labour trouble with [cut off] imported workers, may see the wisdom [cut off] manufacturing in Africa whence it dra[cut off] much of its lower-paid works staff.

Discussions in Geneva in the 78-natio[cut off] preparatory committee for the multilat[cut off] ral trade negotiations beginning next Se[cut off] tember have been inconclusive. But [cut off] more explicit definition of the terms i[cut off] dustrially developing countries expe[cut off] from the new tariff round than had bee[cut off] expected is likely to be laid before th[cut off] ministers in Tokyo. In Brussels there ha[cut off] been agreement between the Europea[cut off] Community and representatives of mo[cut off] than 40 developing countries from Asi[cut off] Africa and the Caribbean area to sta[cut off] negotiating jointly on seeking a better r[cut off] lationship. Since the Community has n[cut off] yet worked out a clear negotiating bri[cut off] only first impressions can be gaine[cut off] These are of disagreement between th[cut off] French and other Market members' att[cut off] tudes, of Market insistence on protoc[cut off] formalism and of the overwhelming repre[cut off] sentation of Africa in the developin[cut off] countries' team. French insistence on [cut off] two-way free trade area will be a majo[cut off] hindrance and, in Tokyo, France wi[cut off] urge the impossibility of trade reform [cut off] so long as major currencies remain un[cut off] stable.

Eastern Economist 30 Years Ago

AUGUST 20, 1943

In all the discussions raging on the question of inflation in India it is surprising that no reference has ever been made by even a single authority to one of the methods of anti-inflation which was resorted to by India in the last war. It will be recalled that in the last war one of the ways by which highprices were sought to be reduced was by raising the rate of exchange from 1/4d to 1/6d and thence to 1/8d, etc. That inflation was to some extent checked by the process in the last war, and that the country adopted a *via-media* between stable enchanges and stable prices, allowing prices to be inflated to some extent but cheking inflation partly by higher exchange rate cannot be denied. We would fain believe that if amiast the raging controversy today over inflation the suggestion of higher exchange rates has not been made seriously by any person it is due to the public's appreciation and understanding of the futility or even th[cut off] dangerousness of the proposal. But that sure[cut off] will be a too optimistic view. The reason why n[cut off] one has ever seriously put forward this suggesti[cut off] of raising the rupee sterling exchange rate wou[cut off] seem to be that the vocal interests in Britain an[cut off] India would first be adversely affected. Whethe[cut off] the result of manipulating the exchange will b[cut off] deflationary or not, Britain will find that India[cut off] sterling balances will mount up to a higher fig[cut off] by increasing the rate. Here in India the mem[cut off] of a high rate followed by the catastrophic f[cut off] in exchange with all the attendance inj[cut off] industry and trade is too fresh to be forgotten[cut off] These considerations, rather than the merits [cut off] otherwise of the proposals explain why the pro[cut off] posal has not been seriously put forward [cut off] time.

PRODUCE OR PERISH!

S. P. CHOPRA

THE ORATION of the prime minister, Mrs Indira Gandhi, delivered from the ramparts of the Red Fort on the occasion of the 26th anniversary of independence was no more than a pathetic exposition of the causes of the ills which beset the economy at present. If the economy was in bad shape, it was entirely due to factors beyond the control of the government, according to Mrs Indira Gandhi. The Bangladesh refugees, the Indo-Pakistan war and the failure of rains leading to a prolonged drought had, in her opinion, conspired to bring the economy to a grinding halt.

The prime minister showed awareness about the hardships currently being faced by the people due to the shortages of consumer goods and the ever-rising prices. On foodgrains, she expounded her pet thesis that if the government had not taken over the wholesale trade of wheat this year, the situation would have been much worse. She sought proof that if the government had not taken this drastic measure, the supply position of foodgrains would have been easier than it is today.

That the procurement drive of the government was a dismal failure was accepted by the prime minister. What she had failed to comprehend was that the procurement drive would have succeeded if the government had devised a flexible pricing policy providing liberal incentives to the farmer keeping in view the rising trend in prices of consumer goods and agricultural inputs. In a similar situation the wholesalers would have succeeded in procuring much bigger volume of foodgrains by offering higher prices while the rigidity of the official policy in this regard had doomed the procurement policy to a failure right from the start. It was indeed ironical that the government had agreed to import foodgrains at enhanced prices to subsidise the farmer abroad but was in no mood to treat the farmer in this country in the same way.

This is an acknowledged fact that substantial quantities of foodgrains, especially wheat, are now being held all over the rural areas of the surplus states. Some influential persons in these areas have withheld stocks in the hope of selling them at higher prices in the coming months. The state governments are not unaware of it but have lacked the courage to take the requisite steps. Belatedly, they are now making use of the Defence of India Rules (DIR) to make these anti-social elements dehoard the stocks of foodgrains held by them. This is clear proof—if any proof is needed by the prime minister—that non-interference by the government would have yielded significantly enlarged marketed surplus. If stocks of wheat have not been withheld, then why are the states going ahead with the promulgation of the DIR? Surely harsher measures will compel hoarders to part with their retained grain. What is annoying is that the government has refused to learn any lesson from its mistake in regard to procurement of wheat; that is why it continues to harp upon the official decision regarding state take-over of the wholesale trade of rice in the kharif crop this year.

Now that the pressure of rising prices is becoming unbearable for the common man, the government has thought of reducing its own expenditure. The proposed cut in government expenditure by Rs 400 crores may subdue the rate of rise in prices but unless steps are taken to increase the supply of goods, there can be no respite from the crushing burden of inflationary prices. Luckily, the prime minister has seen that one-sided operation of cutting government expenditure would not help in the current situation. She has advocated, and rightly, that the people should put an end to strikes and lock-outs and should use all their energies in activating the productive machinery. The President, Mr V.V. Giri, also, in his independence day message to the nation has pleaded the imposition of a voluntary moratorium on strikes, lock-outs and bundhs. Surely in times of economic distress these instruments, designed to help the working classes in obtaining their legitimate share in the national cake, tend to operate against their interests.

All right-thinking people have now realised that ill-conceived slogans have been used in the past to deceive the common man. The policy of state take-over of trade and industries by the government for the ostensible objective of increasing the network of socialism is now seen as a sort of noose round the neck of the poor citizen. Basic questions, therefore, are being asked. Is it not time that we put a halt to state take-overs and devote

our energy to producing ore—whether in the public the private sector? Shall we t make use of the talents d resources of those who ve been debarred from playing their rightful role in the economy under one pretext or the other?

That the nation will be able to wade through its present difficulties, there is no doubt. But if the government fails to learn a lesson from its past follies and continues to pursue policies which have a dismal record, it will be putting a premium on inefficiency and perpetuating the miseries of the people who have now fully understood that catchy slogans may win elections but are a poor substitute for necessities of life.

What should be our national priorities ?

K. SANTHANAM

NDER NORMAL circumsances, every political party a democracy is entitled to onsider that its programmes nd policies coincide with ational priorities. This will ot be a correct assumption the abnormal circumstanes now prevailing in India. oliticians belonging to every arty in India and particular- their leaders should make n effort to separate national nd party priorities and try o co-operate with one anther in respect of the former.

In my view, the national riorities in the political eld are: (1) the preservation f democracy and federalism; 2) maintenance of law and rder; and (3) evolution and nforcement of a common ode of political morality in espect of party discipline, efections, collection of funds nd non-interference with he judiciary and the adminisration. It is not right to hink that because India has democratic constitution, er democracy is safe and table.

Emergency Provisions

Even though the war with Pakistan was over two years ago, the country contiues to be under the emergency provisions which amount to a temporary suspenion of democracy. Many tates are under Presidential ule which amounts to a suspension of federalism. These end to undermine the people's faith in democracy. India is too big and the climatic and cultural conditions of its various parts are so diverse and varied that democracy can function only in its federal form. Therefore every time a state government is superseded and President's rule is imposed, it amounts to a blow at democracy itself. It should not be difficult for disinterested politicians of every party to combine for the removal of emergency and the restoration of state governments in all states constituting coalition governments where possible and holding elections to the state assemblies wherever necessary.

Party Defection

There is a consensus that party defection should be regulated and already a bill has been introduced in Parliament. I wish the bill could be enlarged making registration of political parties compulsory and a proper procedure legally prescribed for making and changing rules for the party organisation and for enforcing party discipline.

It is now accepted by all that corruption has been growing in all spheres of our public life and strong steps should be taken to arrest it. As political corruption is the fountain-head of all other corruptions, it has to be tackled first. A bill constituting a Lokpal and Lokayukthas has been introduced in Parliament for the second time after it had been allowed to lapse once and it is not clear whether the present government is going to push it through Parliament. Besides setting up a high level authority for enquiring into allegations of corruption, it is necessary to evolve a common code of morality dealing with the collection of party funds and maintenance and audit of accounts, periodical declaration of assets and liabilities by ministers and members of legislature and other matters relevant to the smooth and efficient functioning of a democratic political system.

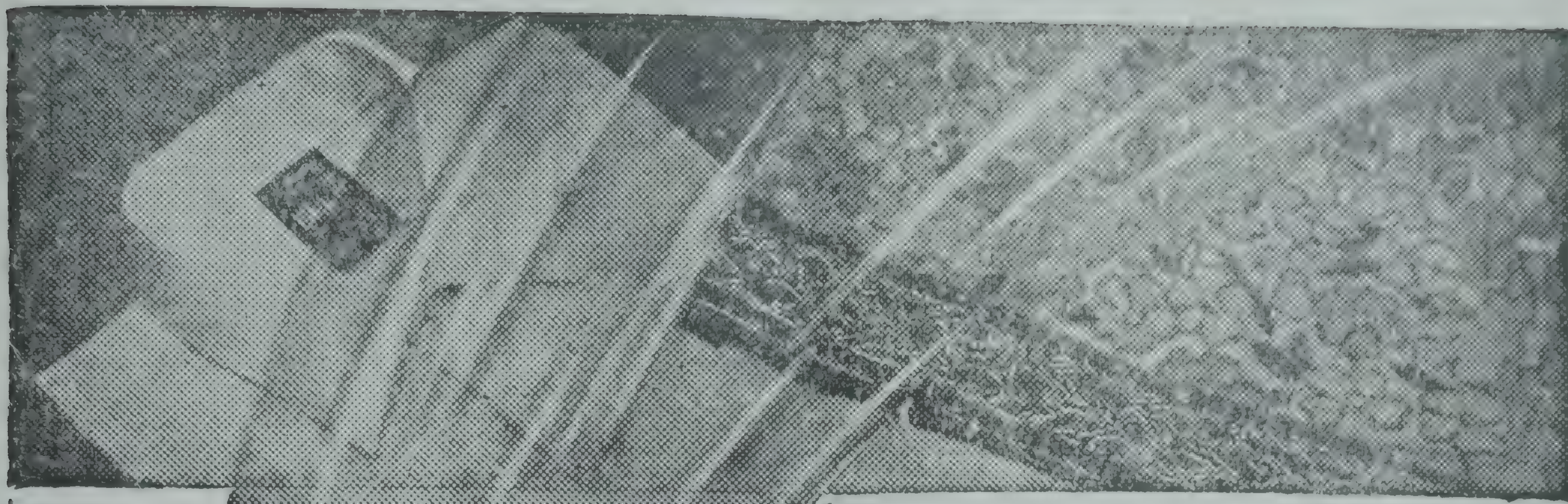
Precarious Economy

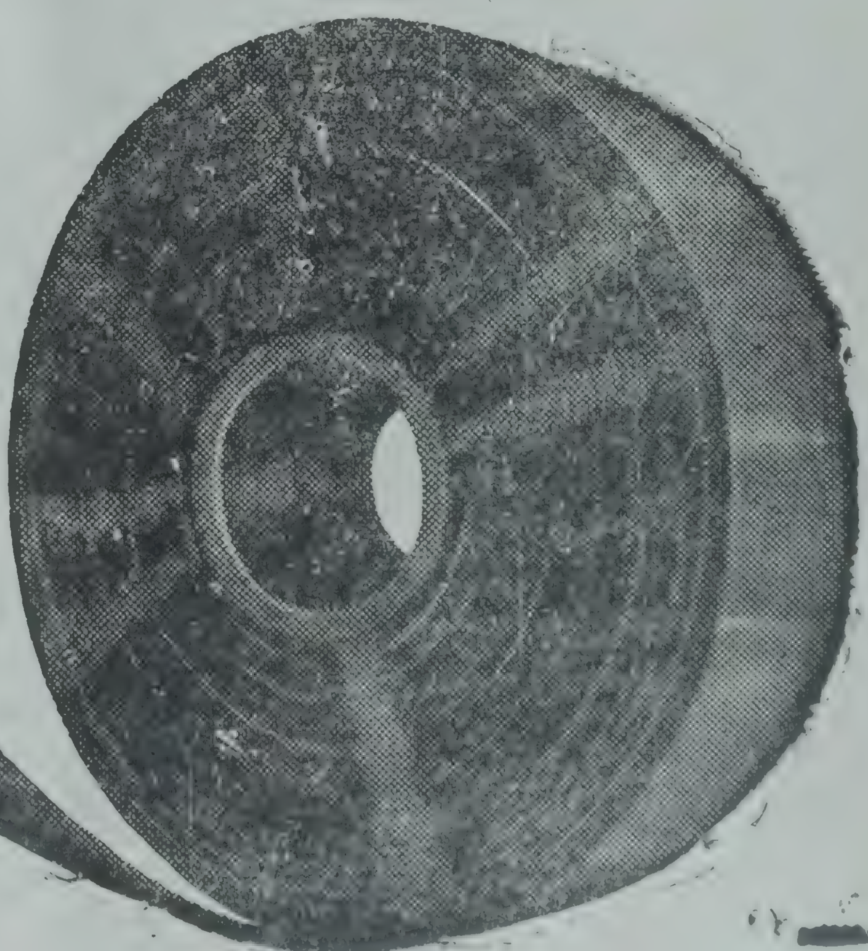
That the Indian economy today is in a precarious condition is accepted by all including the Prime Minister. It is also universally recognised that inadequate production, monetary inflation and growing unemployment are the major problems of our economy. In this desperate situation, considerations of abstract ideology have no place. The talk of monopoly houses is as foolish as it is harmful. It is only by inducing all production agencies from the petty farmer to the biggest company and all private, co-operatives and public agencies engaged in industry, transportation and trade, to make their best efforts at increasing production and providing employment that the present crisis can be satisfactorily met. But one essential condition for such coordinated national effort is industrial peace. In other words, an agreed suspension of all strikes, lock-outs, go-slow and work-to-rule methods should be stopped for five years while the country is given a chance to get over the present depression and develop the capacity to grow.

Effective Machinery

This does not mean that the claims and grievances of employees should be ignored or suppressed. A summary and effective machinery for hearing and deciding them should be evolved and the awards of such labour tribunals should be binding on employers, employees and the government. This imposition of a moratorium on strikes and lock-outs should be accompanied by austerity on the part of the well-to-do sections of society. Stern and drastic steps have also to be taken against black market transactions. It is possible that the estimates of black money are highly exaggerated but whatever it may be, it has got a terrible demoralising effect on the economy and on the morale of the poorer sections of the population.

These then are some of the national priorities of our politics and economics. If they could be separated from other controversial programmes and dealt with on the basis of national consensus, the present mood of frustration and pessimism may give place to national self-confidence and purposeful effort.





Malnutrition in a two-tier world

M. S. SWAMINATHAN

OUR WORLD is increasingly becoming divided into two sharply contrasting ones—that of the rich and the poor countries. While a few people have begun to be conscious of the fact that there can be "only one earth," in actual fact, the grim picture is of a two-tier compartment on the spaceship called earth travelling through space. The paradox of nutrition in this compartmented world is that malnutrition among the poor peoples of the developing countries is increasing at the same time as the realisation of the importance of nutrition in development. Nutrition and education are now often compared to the hardware and software components of development.

Unfortunate Truth

It is unfortunate but true that there can be little use for the software unless the hardware component exists. Evidence is accumulating which suggests that protein-calorie malnutrition in early life has lasting effects on the anatomy, biochemistry and functioning of the central nervous system. It has been demonstrated in rats and in monkeys that early malnutrition interferes with higher learning and it is reasonable to assume, unless there is evidence to the contrary, that something similar is likely to happen with human infants as well. Malnutrition, especially in childhood, is thus doing both short and long-term damage to development in the poor countries, and this is likely to be a major factor in perpetuating the differential rate and pattern of economic growth in the developed and developing world.

We must view with concern the soaring prices during 1972-73 (both in the Indian and international markets) of the prices of wheat, rice, jowar, oilseeds, pulses and other food and feed grains. This rise in price cannot but have an adverse effect on the nutritional status of people in the developing nations. At the same time, it appears that the increasing claims of affluence on world food resources themselves constitute a major threat to the already low levels of nutrition in the deveing world. What are the major factors that have led to this situation and what can be done about it? Let us examine half a dozen of the main factors operating in this situation.

(a) Population Growth: Four-fifths of the annual increase in world population of an estimated 70 million occurs in poor countries, consequently making the job of finding productive and remunerative employment for everyone increasingly difficult. About 71 per cent of mankind lives in developing countries, where only about 44 per cent of the world food supplies are produced. Because of this situation, even the benefits of trade in primary agricultural produce accrue largely to developed nations, as is clear from the trends in export trade observed during the first UN Development Decade and during the first two years of the second Development Decade.

(b) Emergence of Affluence as a Major New Claimant on World Food Resources: The per capita availability of grain averages about 190 kg per year in poor countries and most of this grain is consumed directly to meet minimum energy needs. In contrast, the per capita utilization of grain is currently approaching one ton per year in the United States and Canada; of this, only about 70 kg are consumed directly in the form of bread and other products, the rest being channelled through the plant-animal-man food chain. The per capita consumption of beef has risen in the United States from 25 kg in 1940 to 52 kg in 1972. In addition, the annual per capita consumption of pork and poultry is about 33 kg and 24 kg. respectively. A similar trend is seen in many countries in western and eastern Europe, the Soviet Union and Japan. As a result, an increasing proportion of world's grain and oilseed production is utilized to feed animals to meet the effective demand for animal products in affluent nations.

(c) Stagnation in World Fish Production: From 1950 to 1968, the world fish catch climbed to a new record each year, rising from 21 to 63 million tonnes during this period. The average annual growth of nearly five per cent in the catch, far exceeding world population growth, greatly increased the average supply of marine protein per person. Then suddenly, in 1969, the long period of sustained growth was interrupted by a decline in the catch. The catch has been fluctuating since 1969 and many marine biologists now feel that the global catch of table grade fish may be at or near the maximum sustainable level and that a large number of the 30 or so leading species of commercial grade fish may be currently over-fished.

(d) Uncontrolled Exploitation of Resources: A most disturbing feature of the world fishery trend is the anchovy crisis along coastal Peru. While the anchovy catch was 12.3 million tonnes during 1970, it dropped to 4.5 million tonnes in 1972. The 1973 season may be even poorer. While a major reason for this fall may be a periodic ecological disturbance leading to the sea water becoming warmer and less salty (such a sea change is known as **El Nino)**, there is reason to that the world's greatest s of fish may have been versibly damaged. Accor to Prof. C.P. Idyll this my inference is based on disturbing circumstances. the size of the "stan stock" now appears to be smaller than normal. It be as low as one or two lion tonnes, compared an average of 15 million nes in recent years. Seco "recruitment" (i.e. num of fish grown big enoug enter the commercial fis in any year) is now sca 13 per cent of the recruit in a normal year.

Unscientific Method

Quite apart from the change, the unscientific vian commercial fishery accept a share of the bl The catch has been exce in relation to the maxi sustainable yield of the vian stock. Prof. Idyll predicted that if things as bad as the worst pro tications indicate, the an vy fishery may, like the fornia sardine industry the Kokkaido herring i try, collapse for ever. The logical consequences of a collapse will be se because of the close int tion and the delicate ba between the populatio various species. For not will the global availabili fish go down, but the g birds, which are respo for the finest natural f zer known, will graduall appear since 80 to 95 per of the guano birds' d made up of anchovies. until recently the size o guano bird population w high as 30 million, al their population may number no more than a lion. The anchovy crisis hence add to the fertilize sis and will in addition to a further increase i cost of poultry and

are produced with the of fish meal. Also, international competi- already very severe (as example between Bri- and Iceland) will fur- increase and the develop- countries with poor fish- leets will be the worst ers.

Weather-induced Fall in Production and the Dep- of World Grain Reserv- Adverse weather during -73 reduced production in USSR, India, Indonesia, land, Korea, the Philippin- angladesh, China and seve- ther countries in Asia and ca. There was hence pres- on the world grain mar- and the USSR alone hased an estimated 30 on tonnes of grain, pri- ly from the USA and da. The USA and Cana- ave now a stock of about million tonnes of wheat, ntrast to about 40 million es in 1972. Increased ac- e and ample rainfall push the 1973 US wheat to about 48 million es, as compared to a total uction of 42 million tonnes 972. The total wheat avai- in the US in 1973 will be t 59 million tonnes, as pared to last year's 66 on at harvest time. As- ng that high prices will ce the amount of wheat to livestock, domestic use fall to 21 million tonnes. ase the US government des to maintain a mini- domestic reserve of 10 on tonnes, the maximum ntity that may be availa- for export will be 28 mil- tonnes. The exports dur- 1972 amounted to 32 mil- tonnes.

luced Export

mong other exporting ntries, Canada may have about 12 million tonnes wheat for export, since a winter and spring in wes- Canada may reduce out- to 17 to 18 million tonn- Australia had a major ught while Argentina has harvested a bumper crop will have more for ex- . Brazil and Chile, which have had poor crops, are likely to take a major share of the Argentina stock. The cost of food and feed grains has been steadily increasing in the international market and if developing countries do not initiate appropriate production and pricing policies, there will be a further movement of wealth from these countries to the rich nations.

(f) Technological Stagnation: As mentioned earlier, marine fish production may reach the maximum sustainable level soon. There are, however, great possibilities for aquaculture (both coastal and inland), brackish water fish culture and mariculture like the production of mussels and oysters.

Lack of Technique

Where cattle are raised for beef, the greatest constraint has been the lack of a satisfactory commercial technique for obtaining more than one calf per year. For every animal that enters the production process, one adult animal must be fed and maintained for one year. Beyond this, it is difficult to substantially increase the carrying capacity of some of the world's principal grazing areas. Experiments currently underway in Cambridge (UK) and at a few other centres may show the way for obtaining twins consistently. In India, the problem has been our inability to develop integrated production systems involving genetic upgrading, adequate nutrition, health care, and processing, storage, marketing and pricing. Only at a few places such as Anand, there has been progress in developing such systems. We should also remember that to sustain a good animal production system, we need not only great advances in fodder and feed production but also large quantities of water and fertilizer. On an average, 1 kg of animal protein needs 12 times as much water as 1 kg of plant protein.

Pulses and oil-cum-pulse crops such as soybean and groundnut provide much of the protein intake of poor people. Unfortunately, no scientific breakthrough is as yet visible in getting high-yielding strains in these crops. Even in Soybean where a considerable amount of research work has been generated, yields in the United States have increased only at about one per cent per year since 1950, as compared to four per cent in maize. The four-fold increase in US soybean output since 1950 has come largely from expanding the area planted.

Some progress has taken place in India in producing better and quick-yielding strains of arhar, moong, urad and cowpea but progress in seed multiplication and distribution has been very poor. Probably, the most significant advances have taken place in pea research but these are largely under the control of commercial companies in the UK and other countries. Hence, the material generated is not available to the research programmes of developing nations.

Planning Essential

Let me conclude by drawing attention to what can and should be done. To begin with, if developing countries are serious not only about feeding their peoples but doing so at adequate nutritional levels, there must be clear appreciation of the realities of the situation described above and of its implications both for us and for the developed nations. Short-term and long-term planning must follow from this understanding.

Our immediate task is to bridge the accomplishment gap. The world is watching India's agricultural production programmes with both interest and concern. Experts admire our ability to plan and wonder why there is so much gap between plans and accomplishment. Why is it, that in spite of so much good research in rice and jowar, productivity in these crops is relatively stagnant? Why is it that planned efforts for optimising the opportunities for intensive agriculture offered by small farms and for minimising the difficulties of small farmers in adopting new technology are so few and halting? Our first task is to bridge the accomplishment gap in rice, jowar, bajra, maize and pulses. This can be done provided greater symbiotic interaction can be generated between agricultural universities and research institutes, on the one hand and agricultural departments and input production and supply agencies on the other.

Food Bank

At the same time we should support the FAO's plan to achieve minimum world food security through a system of coordinated national food reserve policies or through the establishment of an a-political World Food Bank. Research on pulses and oilseeds, which provide major sources of nutrition to the peoples of the poor world, should receive the highest priority.

For the long term, we should bear in mind the dangers and serious ecological consequences of uncontrolled and thoughtless exploitation of natural resources and avoid falling into a trap similar to the Peruvian anchovy disaster. Something similar may happen to our shrimp fisheries if such thought is not taken now. A coordinated strategy involving measures to maintain the long-term productivity of soils and waters, to conserve and utilise water resources and to maintain the long-term productivity of soils and waters, to conserve and utilise water resources and to maintain ecological balances must be worked out for each region.

What of the threat of affluence? The Protein Advisory Group of the UN has appealed to developed countries to reduce the intake of meat in order to save land for foodgrains which are required to feed the peoples of the developing world. Sweden has already initiated some educational efforts in this direction.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While we can endeavour to persuade the developed world to scale down its claims on natural resources of the world and hope that there will be a good response, we have to evolve our own strategy to feed our people adequately.

Because the economics of the plant-animal-man food chain is still highly unfavourable in countries such as India, greater reliance will have to be placed in the short run on the direct plant-man chain. Attempt to increase animal productivity must be based on long-term calculations of the fodder, feed, fertilizer and water burdens that the plant-animal-man food chain will involve. We must spell out our requirements in these terms clearly. We may then be better able, by wise husbandry of resources and by making the most out of the multipliers of nature, which are so abundant in a tropical country such as ours, to provide for the nutritional needs of our population.

If these aims are to be achieved, we must foster community participation in both programme formulation and implementation. While even the rich nations are taking to such concepts as pest management through community efforts, we still want to avoid community education and effort and plan on pest control through aerial spraying. The work on Pyrilla control in Uttar Pradesh is a good example of the anti-ecological approach being adopted by us. We should constantly analyse the favourable features of our agricultural situation and take advantage of them. I have pointed out several times out the possibility for "[...] season correction" in [...] planning in semi-arid a[...] and for crop substitution [...] accordance with nati[...] needs. Fertilizer and seed [...] fers will be needed to im[...] ment these concepts.

With nearly 600 mil[...] people to feed and with a[...] ent nations continuing to d[...] both the money and feed [...] poor nations, are we going [...] remain helpless spectators [...] the growth of malnutri[...] arising from our own iner[...]

Causes of failure on the food front

S. Y. KRISHNASWAMY, ICS (Retd.)

THE WAY in which the government has handled agricultural production and food procurement and distribution during the last 25 years is a striking example of indecision, absence of a definite plan oriented to foreseeable needs, and a tendency to exaggerate the significance of passing success and camouflage the effects of failure. The government's concern with the subject of food production is characterised by alternate exhibition of self-congratulation and self-reproach. The swing from sorrow to satisfaction and satisfaction to sorrow has followed almost with predictable certainty the vicissitudes of the season, the heart-searchings and call to greater effort and austerity going with an adverse season and panegyrics about agricultural improvements culminating in the green revolution and even a Micawberish delight in a slight surplus, going with a favourable season.

Five Year Plan

At the end of 1946 it was decided to formulate a five-year Plan for food production with a specific total target, split up in three ways, that is, according to the provinces, each year of achievement, and each measure to be adopted. It was then calculated that according to the prevailing standards of consumption, the deficit to be made up would be in the region of four million tons. After the partition of India in 1947, the deficit to be made up showed an increase because of the loss of the valuable canal irrigated lands in Punjab and the heavy rice-growing areas of East Pakistan, now Bangladesh. Imports went up to 2.84 million tons in 1948 and 3.71 million tons in 1949.

War Footing

In April 1949 Lord Boyd Orr came to India and recommended that food production should be placed on a war-footing and the organisation dealing with it geared accordingly. He proposed the appointment of a special commissioner for food at the centre with corresponding officers in the states. At the same time an ambitious two-year self-sufficiency programme was drawn up. This sense of urgency was however short-lived. The year 1950 happened to be a comparatively good year. Imports of food grains went down to 2.12 million tons but there was a shortage of cotton and jute. It was therefore proposed to divert certain areas from food crops to commercial crops. The concept of self-sufficiency in food suffered a sea-change.

Examining the Policy

In 1951 the Planning Commission came into the picture. Also, a committee was appointed in 1952 to examine the problems of food production. Towards the end of the first five-year Plan period, there were two good years of rainfall, and so happy was the government that the then minister of Finance announced in one of his speeches that India may even have to export food. The second five-year Plan proposed to increase food production by 10 million tons, raising it from 65 million tons in 1956 to 75 million tons in 1961. At a subsequent conference this target was increased to 16.5 million tons, but unfortunately, nature did not oblige. The year 1957 turned out to be a bad year. So another committee was constituted and it raised a doubt about achieving even the original target of an additional 10.3 million tons.

At the end of 1961-62 the index of food grain production stood, for that period, at the high level of 116.7 [...] 1949-50 as the base. In [...] next year there was aga[...] set-back, and in 1965-66, t[...] was a definite crisis, and [...] duction went down by al[...] 20 per cent. At this stage [...] government woke up as u[...] and proposed heroic mea[...] es for revitalising agricul[...] By 1969 a certain amour[...] progress was made and [...] word 'green revolution' [...] coined to evaluate and [...] gize this progress. But a[...] there was a set-back in 1[...] 72. The final figures for 1[...] 71 were put at 108 mi[...] tons.

Envisaged Output

According to the 5.6 [...] cent per annum growth [...] stipulated in the fourth [...] food grains output for 197[...] should have been 112 mi[...] tons. But actually there [...] a shortfall of 6 million [...] between expectation and [...] lisation. This happened [...] year when the monsoon [...] almost normal. The se[...] that has just ended with [...] rabi harvest of 1972-73 [...] given a rude shock to the [...] ernment and the people [...] and has set back food [...] duction to such an extent [...] finally and after prevaric[...] and giving varying fig[...] the government has now [...]

ted that more than eight
lion tons will have to be
ported.

make no apology for giv-
these details, because they
w certain features which
ve not been given sufficient
portance in the planning of
d production in this coun-

esaw Pattern

The first feature is that in-
ase in food production has
lowed a seesaw pattern. In
er words, the graph of in-
ased production does not
w a steady upward move-
nt, but is serrated as in a
ne of snakes and ladders,
l every time there has been
et-back, the task of increas-
subsequent production has
n rendered more and more
ficult.

Secondly, this up and down
vement has coincided with
nty monsoon or its failure.
re it is possible to predict
ertain regularity. By and
ge one may say that every fifth year the monsoon is scanty and every 10th year there has been more or less a failure. Several explanations are given for this recurring inadequacy, but the fact remains that it does occur.

Thirdly, arising out of the statement made above, the dependence of Indian agriculture on seasonal and sufficient rains is as vital now as ever before. Not more than a fifth of the cultivated land is irrigated, and the rest is still dependent on the monsoon.

In the light of the factors enumerated above, one may venture to state that the policy of the government in respect of agriculture has not been based on inevitable facts but only on halting hopes and an unplanned rush into crash proposals during periods of failure. The following defects in government policy may be mentioned in this context:

(a) As already mentioned, fitful and intermittent interest in agriculture resulting in neglect during periods of good harvest and despair during periods of bad harvest.

(b) Failure to translate into physical plans and programmes the frequent pronouncements about high priority for agriculture.

(c) Failure to build up adequate buffer stocks during times of plenty, but trying to build them up during times of scarcity and resorting to mendicancy abroad and restrictions at home, thereby creating new problems in place of old, especially in the field of distribution.

(d) Failure to provide adequate inputs for successful modern agriculture. In fact the outline of the fourth Plan has mentioned the failure to produce adequate cement and steel as one of the causes of the failure on the agricultural front.

(e) Failure to produce sufficient fertilizers right from the beginning. One notices that the importance of fertilizers and provision for increased production of fertilizers is of very recent origin. The first three Plans did not make sufficient provision for this input.

(f) Finally one is constrained to mention that the government's irrigation policy has been totally lacking in purpose and definiteness. While on the one hand nature has been recalcitrant now and then, it has also provided enough water in the Indian rivers to subdue and control its vagaries. Almost 80 per cent of Indian agriculture is rainfed, and a little more than the same percenatge of the waters of the Indian rivers remain unutilised. This is perhaps the greatest indictment against planning in India. It looks absurd, but it is true that the rights of the waters of the Indian rivers are the subject of petty inter-state litigation and no true national water policy has yet been evolved.

One may say boldly that

ss there is a radical rethin- on the subject of agri- ure and irrigation, the eriences of the past would been in vain and with y increase in population, effect of future crisis be more and more adver- .

n this respect the primary nge of policy that is re- ed is in regard to water ts. Here more than in other sphere, the interests he country should override se of individual states and nically also, each river in right down to its con- nce with the sea, should in charge of one technical hority and not split up by rence to the state boun- ies. The failure to link the er systems, at least all the jor rivers of the south as a inning, is a glaring exam- of the failure of the nar- v planning mind to rise to occasion.

t is also necessary that the policy regarding ceilings should be changed and the limit of landholding raised to what is economical under modern conditions of cultivation. Several studies have been made on the subject and I do not wish to refer to them here, but all of them have established that minimum viability arises only in the region of between 40 50 acres of irrigated land.

There is no use in following politics which is opposed to national interests, on the ground of an ill-defined distributive justice. No one denies the need for ceilings to prevent superfarms and injurious absentee landlordism. But it is dangerous to stretch this principle so as to continuously reduce the surplus available for the market; which is exactly what is happening at the present time.

So far I have confined myself mainly to production. But I would like to add that the interference of government in distribution has been ill-timed and is not likely to succeed. The dimension of the problem is such that small storages scattered all over the country and as near the market as possible with sufficient resilience and opportunity to move food where the need is greatest are indispensable. This is best left to the traders, each of whom is concerned with a small market, and then controlling them, and not substituting a giant state machinery in their place.

Finally, I would like to conclude by pointing out a major defect in the planning approach towards the farmer. Each five-year Plan has repeated that the farmer is important because he produces the food for the people and raw material for industry. In other words, the point of view has all along been that he is a means to an end and not an end in himself. This is a serious mistake because the majority of the people in India live in villages and are likely to do so for all time to come.

In the context of the huge population of the country and an annual increase of about 10 million persons, it is idle to talk of diversion of the population from agriculture to industry. A new orientation has to be brought about in which the farmer and his way of life are taken as the basis for social and economic reform and vast schemes of rural reconstruction introduced in which the distinction in living and working conditions between the town and the village are narrowed down. It is only with this complete change of attitude that food production can be increased through vital rural communities, instead of the farmers being spoon-fed from the towns as at present.

Cooperatives and their achievements

M. S. GILL

THE end of the 19th cen- y British administrators in ious parts of India were king for a way to amelio- e the condition of the dian peasant. They were ticularly concerned with rural indebtedness and the ndage in which the farmer s held by the money-len- . Men like Calvert, Mal- m Darling and Nicholson died the problems of the dian peasant and looked some way to solve them. 1893, the then government Madras sent Nicholson on our of Europe to study the operative system being fol- ved in various countries, ticularly Germany, and to gest if these principles ld be applied for the bet- ment of the Indian agri- turists. In the last decade the 19th century, experi- ntal societies were started imaginative officers in va- us parts of the country.

Finally, the Cooperative Societies Act of 1904 was passed by the government of India formally grafting the cooperative movement on to the Indian agricultural scene. In the early years, the concern was chiefly with the extreme indebtedness and exploitation of the farmer. Therefore, the movement was primarily concerned with providing alternative means of credit through cooperative thrift and credit societies.

In the last 70 years the movement has progressed and proliferated in various directions though credit still remains one of the primary objectives. Today, there are approximately 325,000 cooperative societies with about 58.0 million members in the country. They cover over 48 per cent of the households and have a paid-up share-capital of approximately Rs 725 crores. The activities range from credit to processing, marketing and industrial units. The progress in numbers as well as in achievements has been impressive in the decades since Independence, but the movement still remains under question and criticism.

It is perhaps not known that the cooperatives are involved in something like Rs 6000 crores worth of business annually in one way or the other in the Indian economy. Whatever their shortcomings, the first point to note is the sheer size of their involvement. In a people's movement beset with problems from within and without, this is no small achievement. Credit to the farmer has been one of the major concerns of the cooperatives and in this field the progress has been substantial. Today 158,783 primary agricultural credit societies operating through 342 central cooperative banks and 25 state cooperative banks cover 36 per cent of the rural population. The deposits of the banks, their share capital and loans advanced by them showed progress as given in Table I (p. xii).

The short and medium term loans by these credit societies to the farmers have increased from Rs 202.75 crores in 1960-61 to Rs 601.43 crores in 1971-72. In long-term credit, advances have been even more spectacular, i.e. from Rs 11.62 crores in 1960-61 to Rs 177.77 crores in 1971-72.

The increase in short-term credit has been achieved by the introduction of the crop loan system, under which the capacity of the farmer for productive use of the credit is the criterion rather than his ability to offer security. This is a daring concept and the cooperative must be given credit for adopting it even at the risk of fall in recoveries of loans. It must be admitted

that the percentage of overdues has risen over the last few years, particularly in some states, but this is not entirely due to the unwillingness of the farmer to reply. To a considerable extent, this is the result of natural calamities such as drought in large parts of the country. My personal experience is that the farmers, particularly the smaller ones, are willing and anxious to repay loans. While the overdues must be brought down to acceptable levels, the point to be grasped is that the cooperative credit system has broken through the barrier of security in order to lend to the vast numbers of our small and marginal farmers on the basis of their crop sowing programmes. It is to be seen whether the nationalised banks would emulate their example.

Green Revolution

Even though in this year of scarcity the green revolution is under a cloud, the fact remains that it has been a success at least in some parts of the country, particularly the wheat-growing areas. The production of wheat has gone up from 16.5 million tonnes in 1967-68 to 26.5 million tonnes in 1971-72. This cannot be attributed to good monsoons only. In Punjab at least the success of wheat is now being repeated with paddy and this year this small state is expected to give a million tonnes or more of rice to the central pool. The green revolution is, therefore, very much of a reality and not a myth. The credit for this must go to many agencies, and not merely to the agricultural universities and scientists. This revolution is essentially a revolution of inputs. The new seed may have been available, but it had to be backed up by massive doses of fertiliser and water, both of which could be made available only by an equally massive supply of credit to the farmers. Further, the fertiliser had to be made available at the right time and right place to every farmer who needed it. This required an extensive administrative effort. It is my contention that the cooperatives deserve a substantial share of the credit for the success of the wheat and rice revolutions. I shall only quote the example of Punjab which has had the most spectacular success. The main increase in wheat production came between 1966-67 and 1970-71. The increase in short, medium and long term credit over the years in the state is as given in Table II.

Credit Through Coops

It is this massive credit which was given mostly in the form of fertiliser and not in cash that is responsible for the large increases in production in Punjab. Further, the Punjab MARKFED—one of the premier cooperative organisations in the country—organised a massive administrative structure for making the fertilisers, pesticides and diesel engines available to the farmers of the state. It maintains approximately 4000 depots in about 10,000 villages of the state. If figures are studied, a similar situation will be seen in Haryana, western Uttar Pradesh and other areas where there has been a dramatic increase in production. In fact, the prime minister recognised the contribution of the cooperatives when she said in her address to the 6th Indian Cooperative Congress:

"In our own country, we cannot but take note of the fact that wherever an agricultural break-through is perceptible—whether it is the wheat revolution in Punjab or sugarcane development in Maharashtra—the development has been largely facilitated by a vital cooperative structure in the area. In several other parts of the country, despite the availability of the known technology, the pace of the agricultural development continues to be inhibited, partly because of the absence of a cooperative system which could offer credit, material inputs, marketing and processing services."

There has been an equally impressive increase in the marketing of foodgrains and other crops by the cooperatives as shown in Table III.

It is again not very well known that the cooperatives have played a very predominant and successful role in the procurement of foodgrains for the central pool. Even before the take-over of the wholesale trade in wheat this year, the entire wheat pro-[illegible] of 1.2 million [illegible] nes in Punjab in 1971-7[illegible] done through the [illegible] marketing societies. O[illegible] this 910,000 tonnes [illegible] cured directly by the P[illegible] MARKFED, while the [illegible] mainder was [illegible] the state food departm[illegible] and the Food Corporatio[illegible] India through marketing [illegible] cieties. In this year's [illegible]

TABLE I

Primary Societies, State, Central Cooperative and Land Development Banks' Progress

	1950-51	*1960-61*	*19[illegible]*
Primary Societies			
No. of societies (in lakhs)	1.05	2.12	1.[illegible]
Share capital (in crores of rupees)	7.61	57.75	212.[illegible]
Deposits ,,	4.26	14.59	73.[illegible]
Loans advanced ,,	22.90	202.75	601.[illegible]
State Coop. Banks			
No. of banks	15	21	[illegible]
Share capital (in crores of rupees)	1.58	18.24	45.[illegible]
Deposits ,,	22.08	72.33	329.[illegible]
Loans and advances ,, during the year	42.13	58.20	498.[illegible]
Central Cooperative Banks			
No. of banks	505	380	34[illegible]
Share capital (in crores of rupees)	4.04	37.93	156.8[illegible]
Deposits ,,	37.79	110.59	502.8[illegible]
Loans and advances ,, during the year	82.83	350.91	1109.4[illegible]
Land Development Banks			
No. of banks			
Central	5	18	1[illegible]
Primary	286	463	86[illegible]
Loans advanced during the year (in crores of rupees)	1.38	11.62	177.7[illegible]

†Reorganised to smaller number.

TABLE II

Short, Medium and Long-Term Credit by Cooperatives

Year	*Short-term loan*	*Medium-term loan*	*Long-term loan*
1966-67	2151	337	165
1967-68	2006	289	505
1968-69	5780	415	1330
1969-70	4984	292	1789
1970-71	5313	397	1996

TABLE III

Marketing of Foodgrains by Cooperatives

	Foodgrains	*Sugarcane*	*Other Crops*	*T[illegible]*
1960-61	22	91	66	[illegible]
1965-66	137	147	76	[illegible]
1971-72	429	248	167	[illegible]

ocurement in Punjab as on ly 2, 1973, the following gures speak for themselves:

y state food epartment	1,260,000 tonnes
y Food Cor- oration of ndia & its gencies	654,000 tonnes
ly state Co- perative Mar- eting Fed- ation	601,000 tonnes
Total	2,515,000 tonnes

In Punjab, this year too he cooperatives would have purchased the entire 2.5 mil- ion tonnes procured so far but for the fact that the Food Corporation of India did not utilise their services. Even hen, out of 2.5 million ton- nes, over 1.8 million tonnes were purchased through the cooperatives as the state food department continues to uti- ise the marketing societies for ts purchases. In Uttar Pra- desh each of the three agen- cies, viz. Food Corporation of India, state food department and the UP Cooperative Federation were given a tar- get of 600,000 tonnes each. It is interesting to note that in equal competition, the UP Federation had purchased (up to July 2, 1973) 368,000 tonnes, which was more than 50 per cent of the total pro- curement so far in the state. In Madhya Pradesh, most of the procurement of 190,000 tonnes has been through the cooperatives, as apart from 109,000 tonnes purchased dir- ectly by the apex federation. Most of the purchases of the Food Corporation of India also have been through coope- rative societies. Out of the total procurement of 4.165 million tonnes of wheat (upto July 2, 1973), the coopera- tives in the four major wheat growing states of Punjab, Uttar Pradesh, Haryana and Madhya Pradesh alone ac- counted for as much as 2.5 million tonnes representing 60 per cent as may be seen from the figures given in Table IV. I emphasise this achievement, as it appears to me that procurement of foodgrains is associated in the public mind primarily with the Food Corporation of India and the extensive role of the cooperatives in this operation is hardly known. In fact, given a larger measure of support, the cooperatives are in a position to take on a much greater responsibility in the procurement as well as the distribution of foodgrains.

The cooperatives have, over the last two decades, tried to involve themselves in the processing of agricultural produce, as it is only in this manner that the farmer can hope to get the full fruits of his labour. Table V gives some details of the current level of the processing units in the cooperative sector.

In the processing field, the most spectacular success of the cooperatives has been in the setting up of sugar mills. Starting with the first cooperative mill in 1950, today the cooperatives have 87 mills in working and 47 in various stages of erection. Government have recognised the role of the cooperatives in this field by deciding that almost all future licencing shall be to the cooperatives only. The success of the sugar cooperatives in Maharashtra is well known, but even the all-India figures for the entire cooperative sugar industry are a credit to the movement as shown in Table VI.

This is not to claim that every cooperative is doing well. Some are not, and in some cases mistakes have been made either in the location or in the working of the units. But the capacity of the farmer to manage his own large-scale processing unit has been amply demonstrated by the success of the sugar cooperatives.

There are other islands of excellence in the cooperative movement. The Amul Dairy of the Gujarat cooperatives is a household word today in the country. The Chintamani Cooperative Super Market of Coimbatore in Tamil Nadu is something of which any country can be proud of. Its working results are given in Table VII (p. xv).

The Mandya Cooperative Marketing Society in Mysore or the Tudiyalur Cooperative Agricultural Services in Tamil Nadu have demonstrated the capacity of the people to run varied and large-scale economic activities for mutual benefits.

All that I have written above might perhaps give the impression that there is nothing wrong with the cooperatives. That is not so. The trend of

TABLE IV

Procurement of Wheat as on July 3, 1973

(In tonnes)

	Punjab	*Haryana*	*UP*	*MP*
By FCI and its agencies	653601	127596	148707	8098*
By State Food Department	1260334*	270993	188493	—
By State Cooperative Marketing Federation	601163	146897	367507	109088
	2515098	545486	704707	190069

*Almost the entire quantities were purchased through primary marketing societies.

TABLE V

Processing Units under Cooperatives

	1960-61	*65-66*	*68-69*	*71-72*
Sugar factories	56	76	79	124
Cotton ginning & pressing units including spinning mill	127	253	263	248
Rice milling units	164	763	784	790
Oil milling units including solvent extraction units	114	233	247	239
Fruit & Vegetable units	2	32	38	36
Cold stores	13	54	87	111
Others	57	141	185	207
Total	533	1552	1683	1755

TABLE VI

Working of Cooperative Sugar Factories

	1965-66	*1968-69*	*1971-72*
Licenced Capacity (thousand tonnes)	1,363	1,526	2,527
% to the total licenced capacity	31.4	34.2	48.5
Installed capacity of the cooperatives (in thousand tonnes)	741	1,015	1,504
% to the total installed capacity	25.2	30.2	38.00
Sugar produced by the cooperatives (in thousand tonnes)	930	1,200	[illegible]
% to total sugar produced	26.2	33.8	41.5
Average recovery:			
Cooperatives	10.35	10 02	10.65
Others	9.70	9.44	10.04

increasing overdues, the frequent cases of embezzlement and defalcations in various societies and the occasional mismanagement are all too

TABLE VII

Working of Chintamani Co-operative Super Market

Membership ..	2148
Share capital ..	Rs 40.52 lakhs
Reserve	.. Rs 62.78 lakhs
Value of fixed assets	.. Rs 47.68 lakhs
Deposits	.. Rs 84.23 lakhs
Working capital	.. Rs 2 crores
Annual Sales turnover (1971-72)	.. Rs 5 ,,
Profits (1971-72	.. Rs 1.72 lakhs.

well-known to be denied. In fact, every case of such malfunctioning is blazoned in the press sometimes even with a certain amount of relish.

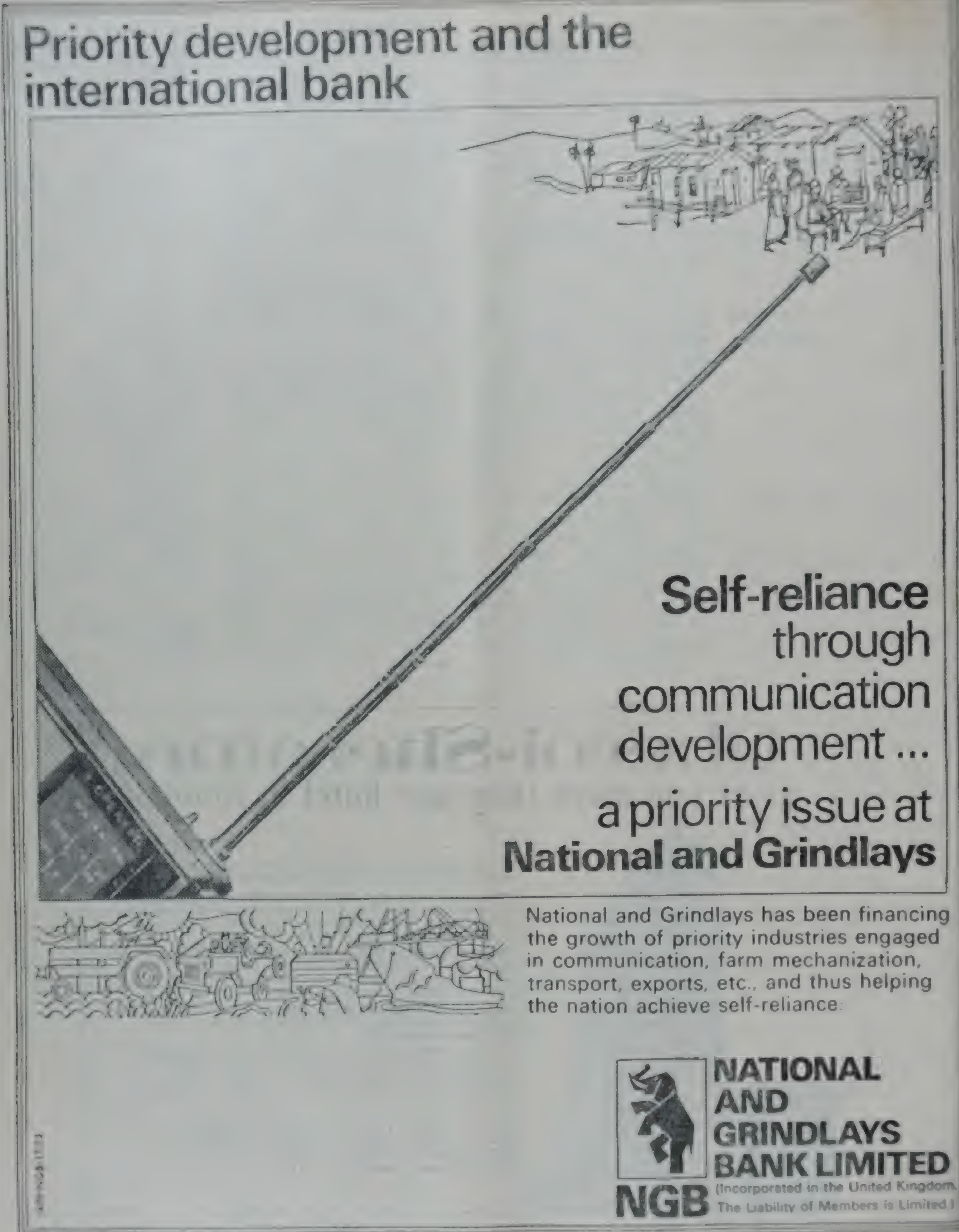
Nobody denies that there are flaws in the cooperative movement, as there are in any other area of activity. Nobody will contest the need for correction and improvement. The only point I would make is that the faults should be seen in the perspective of the total movement, and its achievements under conditions of considerable stress. The entire movement should not be tarnished by generalising on the basis of isolated cases.

Similar or sometimes ever graver faults exist in other areas of public economic activity. The only difference is that in the case of the cooperatives, the books are open and nothing is hidden from public view. In private industry, board room secrets are better kept. I am personally happy that on account of audit and a host of other inspections, the working of the cooperatives is more open, but I would urge that in judging the flaws and faults that are brought out, sweeping generalisation about the entire movement should be avoided. Sometimes, I feel that there are interests which would like to give the entire movement a bad name.

I think it will be conceded that there is no real alternative to the cooperative movement for the development of the rural economy in a democratic way. If this is so, there can be no going back. We can only move forward and try for the improvement and expansion of the cooperative structure. It is my feeling that unfortunately the cooperatives have been unnecessarily involved in the political life of the country, and the supervision and guidance of the movement is often coloured by such considerations. The movement needs to be isolated from the cross-currents of the nation's political activities, and confined to its true role of the improvement and uplift of the economic conditions of its members. Perhaps the only way to do this is to give a genuine measure of autonomy to the cooperatives and to lessen the controls over them. In this way, a leadership might come up in the movement conscious of its own prime interest—the betterment of the lot of members—and the flower of the true principles of operation. Many many ye ago, Jawaharlal Nehru h this to say of the coope tives:

"Cooperation is not gove mental control. Nothing be more fatal than gove mental control which is embrace of death. If it governmental control, go or bad, it is not cooperati whatever else it may be. you examine the state of fairs in India today, you find this demonstrat Where a people—non-gove mental people—have tal the lead, have devoted the selves, the movement flourished and grown. Wh it requires nursing by government all the time, has not grown. I will rep I will go on repeating—I like the association of g ernment in cooperation cept as an agency helpin by way of funds, etc."

Alas, it is as true to and as difficult of achie ment!


Priority development and the international bank
Self-reliance
through
communication
development ...
a priority issue at
National and Grindlays
National and Grindlays has been financing the growth of priority industries engaged in communication, farm mechanization, transport, exports, etc., and thus helping the nation achieve self-reliance.
NATIONAL
AND
GRINDLAYS
BANK LIMITED
NGB
(Incorporated in the United Kingdom. The Liability of Members is Limited.)

Food service and hospitality operatior

M. S. OBEROI

FOOD SERVICE and hospitality operation has now acquired the trappings of a highly complex and highly sophisticated industry—rated as one of India's principal exchange-earning industries.

Management applications in India's hotel mechanism are generally patterned after American and British modalities but management basically, shorn of the mystique attached to it, is the art of managing people and situations.

More than a science, management is an art, because, fundamentally, the industry deals with people. It has to look after their multiple needs of food, service, accommodation, comfort and if the element of human management slid, the operation collapses. is lost or sidetracked or back-

Operationally, present-day hotels have to contend with a whole range of visible and invisible activities; invisible because most activities do not surface and do not enter the calculations of hotel guests and visible because some of them are far too apparent to be missed—optically or otherwise.

Gone are the days of the wayside lodges and caravanserais when the traveller needed only food to eat, a drink to quench his thirst and a bed to sleep on. Modern-day hotel-guests are too demanding, far too discriminating. They want every comfort, every conceivable convenience.

The jet-age conception of a good hotel is one that can provide some sort of push-button standard of comfort to its guests. This can create tremendous functional problems because the guest is not aware that the ability to provide such a wide range of services and goods is an uphill task which involves not only a high degree of expertise in hotelkeeping but absolutely highly developed management skills in a number of spheres vital for hotel functioning.

Hotel operation is, speaking objectively, the most vulnerable operation in the world because it calls for and demands the most advanced techniques in management. The gamut of functioning is so diffuse and disparate that the chance of human failure, somewhere, is impossible to rule out altogether.

All this requires management of an exceptionally high order not only in the top rungs but also at middle run more importantly, in th er rungs because in mos the consumer of hotel and service comes m contact with the lowe operative than with the rung executive. This the operation still more plicated because whil relatively easier to middle or higher-level cutives, it is vastly mo ficult to inculcate the spirit of dedication or the same amount of op nal competence in the level employees.

Servicewise hotels in compare extremely favo with their counterparts United States of Ameri Europe and the Far E cause the element of p lised service is far mo

nd far more extensive country than in any abroad. Service is a nportant factor in hotel on and I think, in this , we are tremendously not by management ques as such but by the genius of our people to ind and hospitable to Traditionally, India is hospitable country and as been a strong plus for the hospitality indus- India.

led Techniques

nagement modalities in as I said earlier, al- h borrowed to some ex- rom the West, have been ed with local conditions. ave the best of both the ns—the occidental and riental. General opera- vise we have also not tried to perfect techni- employed in the United of America, Europe he Far East but also im- ed upon them so much many countries in the l today are making a bee- for the know-how and agement applications in n India. That explains the n why our company has able to meet the compe- , albeit a healthy one, of chains like the Shera- the Intercontinentals, the erns, the Hyatts and the day Inns. One of our ho- in the capital of India has vn the highest occupancy of any hotel in the world per cent average). To the try's total exchange ear- s from tourism my com- contributes a stellar e. Already our hotels are ating in a number of heast Asian and Middle countries. We will soon exporting hotel manage- t expertise to rela- ly more advanced coun- s such as Britain and an management know- will, in the foreseeable re, be in bigger and high- demand even in those coun- s which until recently used provide management skills ndia and other countries in a and Africa.

The Oberoi Hotels have a management training programme for training young executives in all fields of hotel operation and our management training programme is the only non-collegiate course of instruction in the world to be recognised by the International Hotels Association.

Tourism is now the world's largest industry—twice as big as oil—with hundreds of billions of American dollars involved in it. High-capacity and high-speed modern generation of aircraft has completely revolutionised the complexion of travel in the world today. Hotel industry has to gear itself to an extremely fast-changing pace of present-day needs of the superjet traveller. The jet-age hotel resident is in a dreadful hurry. He needs things instantly and likes to give the shortest possible notice. He wants everything designed to suit him and his convenience. That requires a much higher degree of sophisticated management skill and poses an immeasurably higher

urden on the captains of the ndustry. Management techniues have to keep pace with the incredibly fast pace of travel development and, therefore, the knights of the operation have to keep on doing their home-work overtime to be able to survive in a kind of business that is highly competitive, highly demanding and highly efficiency-oriented.

Indian tourism in the world market

DR TEJVIR SINGH

HE 20th century has ushrd in an era of international ourism. The remarkably rapid and continuous developnent of tourism, particularly fter World War II, has been ne of the essential keynotes f the world scene. In 1948 otal international tourist arrials numbered 14 million and otal tourist receipts amouned to $ 1.4 billion whereas n 1972 it involved 200 milion people and the turnover vas over 21 billion US dollars IUOTO). Accounting for eight er cent of the world total xports, tourism is now the argest single item in world rade. In many European ountries, tourism receipts acount for up to 40 per cent of e total export of goods and ervices and often help to over the trade defecit, thus nproving the overall balance f payment situation.

Latest IUOTO (Geneva) ndings have revealed that arnings from tourism occuy an important place—three nine per cent—in the naonal income of many counies and "without taking into ccount the earnings from doestic tourism, international urism alone amounts three seven per cent of the gross tional products of some of e countries".[1] Tourism, erefore, constitutes a precis merchandise in the world arket.

mbo-Jet Race

The year 1970 has already nered in Jumbo-jet race into e travel world and the SST upersonic Transport), too, is tering its wings to fly. hese remarkable and eath-taking improvements the field of transport techogy would soon open new izons for mass travel, reting in 'tourist explosion".[2] While the whole world watches this revolution with curiosity, the touristic countries are busy in refashioning and revitalizing their "Visitor-plant". We being a competitor in this world event need to have some warming-up before running the hard competitive race, which allows no handicaps. We must allow ourselves some self-examination and self-criticism for a scientific planning of our tourist trade.

Enviable Position

Admittedly, India occupies an enviable position on the tourist map of the world for all her heritage of culture, art, history and geography. She was sought after in the past by explorers, expeditionists, pilgrims and conquerors, and even today the lure of India lingers on the mind of tourists. We, in India, have had a very rich tradition of tourism coming down from prehistoric times. But India, for obvious reasons, finds herself a novice in the field of 'modern tourism' which has economics at its base and 'commercial hospitality' at its apex. Had the country no foreign exchange crisis, and unfavourable balance of trade, we would have scarcely suffered the nation to run such "an intense rather greedy race".[3] But wishes are not horses and, we are obliged to "sell the country for a brighter tomorrow". We have embarked upon five-year Plan projects: the performance of these promises involves foreign exchange and hence we are compelled to subscribe to this 'New Money Fallacy'.

"While tourism, like peace, should remain indivisible; the hard fact remains that advanced and developed countries of the world take away more than 85 per cent of world tourism receipts. This creates a questionable 'gap' between the developed and developing countries"[4]. Developing tourist-economy is by no means an easy task for developing nations, where expenditure on tourism-promotion seems very much misguided in face of primary production. Very often choice has to be made between hotel for tourists and houses for homeless.

A recent IUOTO sample study of 24 developed and 50 developing countries reveals that while tourism is a 'growth industry' in the developed countries, this is even more true of the developing nations.[5] Table I shows that tourist-receipts of developing countries have grown at a rate exceeding that of the world trade. International tourism reached an index of 160 in 1967 compared to 139 attained by international trade (GATT). During the same the index for foreign tourist receipts in developing countries rose to 179; 40 points higher than the index of the growth of international trade in 1967.

Bridging the Gap

The study also underlines that developing countries are bridging the 'gap', though slowly. It is for this reason that tourism is a desirable economic activity for developing nations.

This discussion brings us to the international arena of tourism where we find ourselves ill-matched with stalwarts and veteran tourist-countries such as Spain, Switzerland, Greece, Yugoslavia, Canada and Italy which have fully developed their tourist industry both horizontally and vertically. In fact, the history of tourism in Europe dates back to 1870's. "It has grown from village and town levels, and the 'Syndicate de Initiative' has played a vital role in its evolutionary process."[6] The building up of tourist facilities and publicity was pyramidal with the local and district bodies at the base providing solid foundation for the crown of the National Tourist Association (NTA). In developing countries such as India the spur has to come from the top, which permeates down to local levels after a long time and rather leisurely.

Table II will bring home that Europe alone takes away almost 60 per cent of world's total receipts from tourism; North and Central Americas have the second largest share of about 25 per cent.

Unyielding Rivals

Then comes Pacific and east Asia region which shares only five per cent of the world total receipts. India is pitted against such unyielding rivals in the Pacific as Hongkong (received 765,213 tourists in 1969), Japan (463,270), Singapore (260,753) and Australia (251,581). In her own region of south Asia she emerges a giant (244,724). Amongst Pacific and east Asia destinations, Japan and Hongkong have developed such a sound tourist infrastructure that India would take quite a long time to measure up to them.

Tourism scene in India presents a different picture. While most people in this country avariciously look up to the sky for a monsoon cloud, Hongkong and Bangkok locate an air-bus jet: so is Tokyo, a much sought-after destination in the Pacific region. While a large section of their populace is meticulously busy in performing "services", we in India (almost 80 per cent) take to the plough for any desired "Green Revolution." Assuredly, with

this under-developed economy we can hardly expect our tourism to yield a windfall which may be witnessed in western countries. Planners in India have little choice between the corn fields and the tea houses; coal mines and hotel constructions. Tourism is a higher need and is associated with the affluent class of society—a byproduct of all-round national development. Nevertheless, our nascent tourism (industry?) within a short span of 24 years has performed fairly well.

Challenging Task

While it is a pretty challenging task to assess economic gains through tourism, the department of tourism claims to have earned (direct gains) dollars worth Rs 48 crores in 1972 whereas a decade before tourist earnings were only Rs 21 crores. Tourist graph (in the cartographic illustration) shows a steady increase, except in 1962 and 1965 when China and Pakistan attacked India. India entertained over 340,000 foreign visitors in 1971-72—much below the Tourist ministry's target of 590,000. (Report, Hotel Review Committee, 1969). India's share of international tourism receipt amounts to less than 0.4 per cent of the world receipts though this amount enjoys fifth or sixth ranking in our country's exports. The tourist turnover can never be an accident and for better output not only infrastructural facilities have to be augmented but the entire pacific region has to be competitively improved. Seen overall, the year 1969 to India was the best in regard to growth rate (30 per cent over 1968), perhaps the best in the pacific (IUOTO).

This, however, should not make us complacement for the critics are relentless and clients unforgiving. The two surveys conducted in 1963 (by Standford Research Institute, California) and 1967 (by Travel Research International for PATA, California) on US visitors to India give us sobering thoughts. The worst of it is that about 49 per cent US visitors (our major clients) would not like to repeat their visits nor would they recommend it to their friends. India's ranking among the 26 PATA countries, whose tourist profile was aimed at to be developed, was in many respects very low and miserably poor. In their opinion, we are not enough "warm and friendly people". The report's concluding remark is a big question mark. "After I have seen your mountains, your temples and your lagoons, will I have no running water and good meal and a clean and comfortable room".[7] While we have to answer such questions in an unqualified 'Yes', —nevertheless, it should not lead us astray to the snobbery of Hiltonism and the five-star concept. The department of Tourism's (India), Comprehensive report on Hotel Review (1968) seems to be very much biased in favour of many three four and five star hotels (Table III).

Great Lacunae

Undoubtedly, in 'Hotel plant' we have great lacunae, and future demands may be more pressing but then, we have to think of many medium-priced good hotels, countryside holiday hotels, village vacation homes and the motels. Fast changing tourist trends have also to be visualised and, I am sure, not much 'luxury' tourist traffic would flow to India in the future, and if it does, they would not necessarily demand New York or London in Delhi or Agra. What I wish to emphasise is that the industry must develop in all its ramifications with individualistic Indian stamp. Micro-studies and researches in marketing would reveal that foreign visitors are more after Indian cuisine, Indian customs, and Indian way of life. Many of them don Indian clothes, eat with fingers and wish to identify themselves with aspects of Indian culture and way of life. The Hippie and 'Hare Krishna movements' have been, in a way, great booster of tourism.

With a view to improving the tourist image of India the department of tourism has conducted a sample survey (1969) with the help of the Indian Institute of Public Opinion (IIPO); the findings are quite interesting, anomalous though. Of the 5247 foreign tourists interviewed, the report says, 93 per cent (and US visitors 99 per cent) enjoyed their visit."[8] (Compare these figures with Pacific Vi tor Survey Report). Sinc tourism researchers wou perhaps, bear with the auth that India's tourist infrastru ture has a long leeway make up before achieving target, particularly in the f of highly developed market the Pacific area. While t truth is one and the wa many, it can hardly be ga

TABLE I

Share of Developing Countries in the Growth of World Tourist Receipts

Index No. 1963=100

	1963	1964	1965	1966	1967
Developed countries (1)	100	115	132	148	146
Developing countries (2)	100	125	142	165	179
Total (1 & 2)	100	117	132	150	160
World trade (GATT)	100	112	121	132	139

SOURCE: IUOTO, Geneva.

TABLE II

International Tourist Receipts (at current prices) in Dollars

Region	US millions $ 1968	*Provisional US Millions $ 1969	% change 1968/1969
Africa	320	385	20
Americas	247	260	5
South, Cent. & North Caribbean	3,485	3,800	20
	564	678	20
Total	4.296	4,738	10
Europe	8,427	9,100	8
Middle East	211	209	-1
Pacific and East Asia	645	760	18
South Asia	115	138	20
World total	14,014	15,300	9

*Provisional estimates of IUOTO secretariate, Geneva based the 9 month's returns of World's National Tourist offices.

TABLE III

Requirement in Hotel Plant Capacity: (1969-76)

Category	Rooms	Cost in million dollars
4 & 5 star hotels	8,400	111
3 star hotels	5,495	36.3
2 star hotels	4,840	16
Total	18,735	163.3

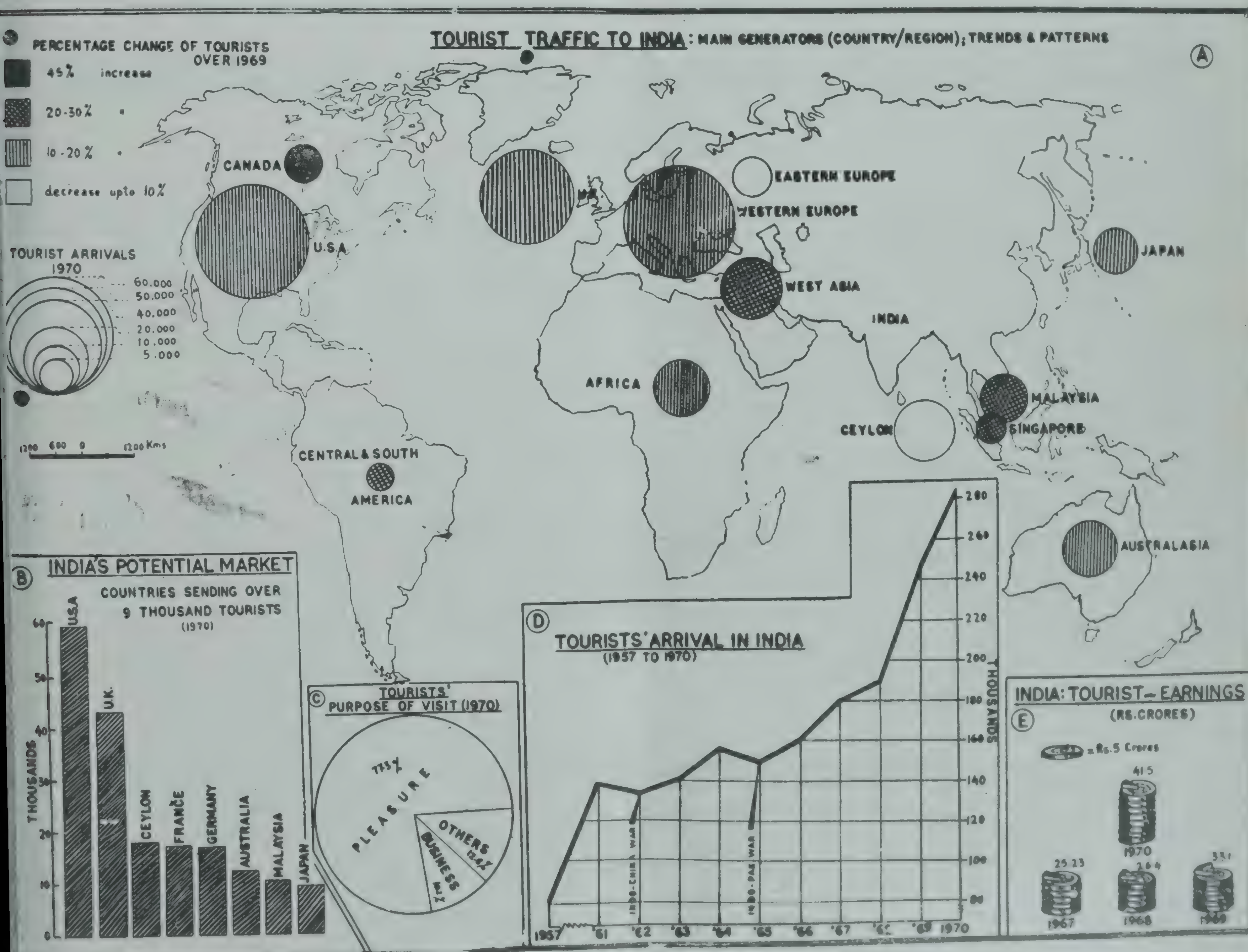
SOURCE: Report: Review and Survey Committee, 1963.

l that India has made a dest beginning in the vast unexplored field of mar- researches. The more they to know their clients, stu- their motivation, purpose visit—what is he seeking? at does he find? What ge does India and her tou- industry leave on him and like?—the better would shape our visitor-plant. So it can be said that India ays performs better than ill-equipped tourist or- ization.

ndia's greatest tourism po- ial lies in her people. We e, however, not harnessed side of human resource the industry. This has to dealt with on two fronts. stly, training the tourist sonnel in the specialized knowledge and secondly, educating the masses through mass communication media. Most of the countries abroad have come up with programmed tourist-education. Tourism, as a subject, has been introduced in higher secondary, diploma and degree courses. Post-graduate and research facilities are available in International Centre of Advanced Tourist Education (CIEST) in Turin. Lebanon has a tourist Research Institute. Tourist education is state responsibility in Greece, and the government has established a tourist training school (STE), whose operations are defined by law. The Spanish Institute of Tourist Studies grants fellowship to deserving candidates. Spain alone has 15 official hotel-training schools; 13 of them are administered by the ministry of Information and Tourism.

The result of a survey carried out by IUOTO in 1969 covering 350 tourist and hotel training schools show that there are 236 centres in Europe, 72 in Americas, 16 in the Pacific and eastern Asia, six in the middle east, 13 in Africa and only seven in south Asia. India has yet to start such up-to-date centres of training. The tourist today needs specialized services. It is no longer sufficient for tourist personnel to be willing workers and possess good general education—they must be well equipped and trained persons. In recent years the traditional features of tourism have been transformed by the profound changes which have taken place in the socio-economic structure of nations. This has produced a wide diversity of formulas and arrangements, in accommodation, catering, transportation sale methods and in tour operations. The new needs of travelling public have, therefore, brought into business jobs and services which did not exist before. All these would need the most qualified personnel. Amongst the developing nations, African countries are doing very well and no wonder if they prove a formidable rival in the near future.

Undoubtedly, the tourists offices alone can't deliver the goods. It is the duty of every citizen to help build this in-



dustry. In fact, 'Tourism Industry is everybody's industry'. Every one of us is competent enough to play a role in helping, guiding, entertaining and welcoming a visitor to this nation. The tourist too has a keen interest in every one of us. Unfortunately, the two, the guest and the host, seldom meet: on the roadside, in the restaurants and at the railway platform the two watch each other with meaningful curiosity. Countries abroad have launched effective hospitality compaigns on a big and systematic way. The government of the USA. has appointed special task force on travel to promote tourism consciousness. The committees extend hospitality services to the average visitor: Belgium has "Decalogue of proper reception": "Meet the Israelis at Home"—"Meet the Canadian at Home"—"Operation Welcome" plants have yielded very healthy and fruitful results. The example of West Germany is worth emulating where more than 800 families get themselves registered under "Meet our Families" scheme. They offer free refreshment and entertainment to the visitors. The picture in India is unfortunately quite different. While hotel lobbies are full of bored tourists, a Dussehra festival goes on its full swing nearby. This is, certainly, not the Indian way of treating guests: hospitality is in our blood, yet we are shy to express it. Why? To me, the answer is that we have failed to build up a climate for tourism.

Tourism in our country is regarded something extraneous whereas it should be woven into the pattern of Indian life and Indian economy. 'A positive and nation-wide feeling in favour of tourism should be generated in our country by inspiration from above'. This, too, is not an easy task: it needs a Toynbee in India. Both tourism enthusiasts and the government of India must take up the avowed task of explaining the importance of tourism to the countrymen before asking their broad participation. People must know that a tourist, besides being our honoured guest, is an economic factor—a financier of our development plans: a friend who would help eradicate trade deficits, cause roads to be constructed and personalise affluence in the region of poverty. And it is for him that these multistoreyed 'luxury hotels' are built and luxury buses are run, de... our paucity of funds and ... palling poverty.

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Foreign affairs and domestic growth

S. NARAYANASWAMY

NOW THAT 25 years have gone by since we threw off the yoke of foreign rule, it is time to assess what we have been able to achieve in diverse fields. We have the uncomfortable awareness that during this period, the British rulers were not there on whom we could blame our omissions or shortfalls. Indeed we have the embarrassing realization that while they were governing us, they provided a handy peg on which to hang our hat of responsibility for everything and sit back to write or read pungent letters in newspapers. Among sectors of administration that were unfamiliar to us was the conduct of foreign affairs for the simple reason that Britain was conducting it on our behalf from White Hall.

It is, therefore, most natural that in that comparatively unfamiliar field, we should tread a little more discreetly and discerningly than in fields where we had already exercised our brains and brawn.

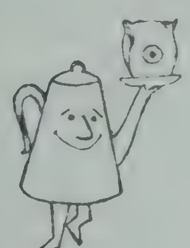
However, it is evident that we started with queer ideas about the conduct of foreign affairs and little wonder those whom we chose as our ambassadors or consular representatives, were obsessed by complexes and were overcome by a somewhat frantic urge to prove that we were the equals of the big powers in many things. This led to a great deal of loquacity and a propensity to make out-of-turn pronouncements on happenings in odd corners of the world that were of no economic or political significance to India —and in time some firm friends were converted into amused observers and many doubtful friends became unfriendly.

Looking back over the years, the pains which Jawaharlal Nehru took to make the Bandung Conference a success as the first meaningful get-together of Asian nations that might have laid the lasting foundations of a pan-Asiatic federation, of which he dreamt so persistenlty, ended in nothing. Reading between the lines of authentic reports of what transpired at Bandung, it is clear that the psychological foundations of China's animosity to India were laid at this gathering, thanks to the megalomaniac handling by the second most important Indian delegate of the Chinese Prime Minister Chou En Lai, who was presumed to have come out of China's backwoods and needed to be introduced to the international community of leaders and plenipotentiaries —a presumtion which reportedly Chou En Lai deeply resented.

Since Bandung we have dropped many hot bricks in world diplomacy. The state of Jammu & Kashmir has been the globally-advertized apple of discord between India and Pakistan—and has remained a mill-stone round India's neck. But who would have expected that Kashmir—through the United Nations forum and afte... should have made more ... friends for India than p... haps any other single is... through the sheer horse-p... er of our offensive and adı... nitory orations?

When we became indep... dent, we had the support ... full sympathy of the wor... great and small powers: ... not merely the freedom-lov... democracies. Our devel... ment plans received the ... lest external assistance in ter... of know-how, machinery, ... terial and manpower. But ... our habit of preaching S... day school sermons on ... der provocations and ... strange propensity to sit ... judgement over happenings ... remote areas of the w... were regarded as stemm... from the irre...bility ... India's constitutional ... cence and needlessly ne... haviour.

The way we have ... our embassies and more ... ticularly, our ...



nes of these embassies where
ry exist, has come in for
ich good-humoured banter
road to which this writer
n personally testify. Our
ibassies and consulates
ould justify themselves and
e investments made on
em if they are able to im-
ove trade relations between
dia and the countries con-
rned. I would not under-
imate the importance of
od breeding or impressive
rriage. But these fastidious
ysiognomical requisites
ould be accompanied by
pth of knowledge of the
untry they represent no less
an that of the country they
e accredited to.

oned up Personnel

I am told that, in the last
n years, our consular and
ommercial officers have learn-
l to conquer their disinclina-
on to receive Indian expor-
rs and importers in consu-
tes and to discuss the details
business for helping them
getting over the difficulties
perienced with the host
untries' regulations. In ear-
r years, it was a common
baffling experience to see
cond and third-rank con-
lar officials looking time
nd again at their wrist wat-
es in expression of their
npatience with visiting busi-
ssmen. This is soothing news
r people like the writer who
ave been disconcerted by the
ectacle of vast sums in scarce
reign exchange being laid out
n these external outfits that
emed to have but a dim ap-
reciation of their duties to
eir visiting countrymen who
me on business by securing
r them free flow of commer-
al and industrial information.

India should build lasting
iendships with other coun-
ies and do everything to earn
eir respect as a country
at knows its economic and
olitical interests. We should
concile these interests with
ose of countries friendly to
s. The moment we acquire
n understanding of the deve-
pments and policies of other
untries and learn to observe
ticence even where others'
oings do not accord with our
hics, we graduate in the
reat school of practical dip-

...y. Let us not steal their bishops' surplices. We would look like circus balloons in such robes. This is the essence of sound foreign policy that keeps us friends with those whom we like and even those whom we may like a little less.

The notion of Mr Shashi

Bhushan being the "think tank" of the ruling party, I confess, never impressed me. I was therefore rather amused when *The Hindustan Times* took his proposal for a "limited dictatorship" seriously enough to devote two editorials to it, besides extending to him in between the hospitality of its Leader page. There are of course some who believe that Mr Shashi Bhushan would not have spoken as he did without prompting from higher quarters. It is even being suggested that Mrs Gandhi herself has cast him in the role of a street urchin to fly this particular kite and it is possible that it is this kind of talk which has persuaded her to come forward to reject publicly Mr Shashi Bhushan's prescription.

I have more than sne-

aking sympathy with the demand made by a number of MPs in the Lok Sabha last week that the minister for Civil Aviation should resign on account of the Indian Airlines' Boeing crash on May 31. The Sachar Commission's report placing the blame squarely on the commander of the aircraft and the co-pilot has no doubt come as a convenient document and the management of Indian Airlines has been quite prompt in dismissing with the services of captains Nair and Reddi. It has however been quite clear that much more has gone wrong with the state of civil aviation in our country than can be accounted for by the personal inadequacies or professional failings of individual airmen. This journal has always held the view that Dr Karan Singh has all along been an indifferent minister of Civil Aviation and that he has consistently shirked his ministerial responsibility for ensuring reasonable standards of management of domestic airlines. It is surely not open to him to disown his ministerial responsibility for the all-round deterioration in the working of Indian Airlines or the indifferent functioning of the department of Civil Aviation in areas which are vital to safety of air travel simply because, on the narrow issue of the responsibility for a particular air crash, a commission of inquiry has held that the pilot and the co-pilot concerned are to blame.

That the state of Bihar

has always been more rotten than the state of Denmark ever was, is, of course, public knowledge. Even so, it comes as a shock that no proper police investigation was undertaken for months after the wife of a south Indian IAS official was reported to be missing under suspicious circumstances. This lapse is particularly difficult to understand since the corpse of a murdered woman which was found along a highway could have been more or less promptly identified as that of the missing woman given reasonable effort on the part of the police. In the event nearly five months were allowed to elapse between the murder and the arrest of certain persons, including the husband, on suspicion of having committed the crime.

It has been reported that the prime minister's secretariat in fact has had to be moved before the police in Bihar would act and it goes to the credit of the relatives of the victim especially the older of her two sons, who is only nearing his teens, that, having suspected foul play from the beginning, they laboured against heavy odds to get the police investigation going. Here *The Hindustan Times* merits a pat on the back for it was its special correspondent in Calcutta who took up the story of the missing woman believed murdered and helped to focus public attention on the case and the possible disposition on the part of the Bihar police or those in authority elsewhere in the Bihar government to let sleeping dogs lie. Incidentally, *The Hindu* of Madras, which also got the story, evidently decided to practise abundant caution and withheld publication. *The Hindu's* legal adviser, I presume, must be kept fairly busy earning his retainer.

Mr R. K. Seshadri, who

was until recently Director of Banking Operations, Reserve Bank of India, became a Deputy Governor last month. There is more than an element of irony in th way his career has blossomed. Mr Sesha dri competed successfully for the IA & AS examination held by the Federa Public Service Commission in 1938 bu was disqualified on medical grounds o account of "defective vision." He wa however appointed as an assistant in th Finance department of the then govern ment of India and, in the normal course he would probably have ended up as a under-secretary, thanks to the hierarchi cal shackles of the government secre tariat. Fortunately, he broke out of th cage for a brief period to take up a jo with this journal as an assistant edito Having thus purged himself of his non gazetted status, he could go back to th government at the "officer" level.

Mr Seshadri has nearly all the vir tues of the south Indian Brahminica tradition with fewer of its weaknesse than most. He has an awesome capa city for hard work and his memory i prodigious. Not less impressive is hi sharp intellect and a natural instinct fo seeing through people. Simple and eve austere in his habits, one of the few con cessions he would make to being born c woman is his weakness for tradition Vaishnavite Brahmin cuisine and he i almost as particular about how well meal is served as how it is cooked. Fon of the English language and literatur he has an enormous vocabulary and a unerring feel for the idiom. His ofte mordant wit is a treat for the connoisse ur who, however, may sometimes get th feeling that Mr Seshadri has not only n patience with human foibles but has pe haps no use for human nature itself.

Last month, in Madras

I met TTK, who was convalescing fro an illness which had very nearly ended h life. His voice was feeble and he w naturally very weak but, for all that, was almost all of his usual self. He spo with the clarity and incisiveness that have come to associate with him over th years and what made a powerful impa on me was the unswerving strength of h memory and the sureness and precision his recollection of the complex politic happenings of the Nehru years or afte Even as TTK chose to profess disintere tedness in contemporary politics, he cou not help disclosing an almost agonisi anxiety on his part that the Congres as he knew it, should become a credib force once again in Tamil Nadu. It TTK's firm conviction that this cou happen only when Mr Kamaraj is alive and active in Tamil Nadu politics.

MOVING FINGER

VB

TRADE WINDS

Canadian Aid for Kundah

INDO-CANADIAN aid agreements providing a loan of Rs 2.78 crores (C $ 3.972 million) and grant of Rs 0.84 crores (C $ 1.2 million) were signed recently. The aid is to meet the foreign exchange cost of two generating sets, equipments, spares, services and installation and commissioning charges required for implementing the Stage IV of Kundah Hydro Electric Project in Tamil Nadu. The loan is on soft terms applicable to Canadian assistance; it is repayable over 50 years with a grace period of 10 years and carries no interest, commitment or service charges. The equipments, spares and services for installation and commissioning of the project will be supplied by the Canadian General Electric Company under a contract signed with the Tamil Nadu State Electricity Board. The project when completed will provide additional peaking capacity to the state electricity system. The Kundah project of the Tamil Nadu Electricity Board has at present a total installed capacity of 425 MW in five power houses located in the Kundah basin. Stages I and II of the schemes were completed in the second Plan and stage III in the third Plan. The stage IV extension of the project envisages installation of two generating sets of a total capacity of 110 MW. The government of Canada has assisted the Kundah project in three stages under the Colombo Plan to the extent of Rs 30.1 crores (C $ 43 million).

Fourth Plan Shortfalls

Shortfalls ranging from 8.2 to over 50 per cent are anticipated in the key sectors of the fourth Plan. The likely achievements and the target for the various sectors are indicated in the table below. The reasons for the shortfalls are the same as given in the mid-term appraisal of the Plan.

Oil Plans : The union government is understood to have approved the expansion of the public sector Koyali refinery to six million tonnes. The capacity of the proposed refinery at Mathura would be stepped up straight away to seven million tonnes; currently this project is being implemented for a capacity of six million tonnes. Ultimately, the Mathura refinery is envisaged to be expanded to 10 million tonnes.

The government, it is further understood, has also cleared the establishment of a Rs 216 crores offshore oil terminal at Salya which will supply crude to the Mathura and the expanded Koyali refineries. The terminal will be in deep waters to accommodate supertankers. A submarine pipeline will connect it to the mainland and the pipeline will continue overland to Mathura, with a branch pipeline going to Koyali.

Spare capacity with the three private oil companies operating in the country at present—Burmah-Shell, Esso and Caltex—is proposed to be utilised this year for processing nearly 2.2 million tonnes of crude oil which governmental agencies will be procuring from abroad over and above the requirements of the Madras and Cochin refineries. The Rs 14.90 crores petrochemicals refinery to be set up at Bongaigaon, in Assam, is likely to take about four years to be completed. The project report has been drawn up and land for the purpose has been acquired. The Rs 66.20 crores petrochemicals complex would take some more time to be completed, although both the refinery and the complex projects are being executed simultaneously.

Steel Imports : The government has decided to import steel worth about Rs 200 crores during the current financial year. The country would achieve near-self-sufficiency in mild steel by the end of the fifth Plan when the demand of saleable steel would be nearly 10.6 million tonnes. Draft proposals for the fifth Plan envisage an expansion in Bhilai's pro-duction from 2.5 million tonn[es] to four million tonnes and Bokaro to 4.75 million tonn[es]. Work would continue on t[he] setting up of three new st[eel] plants at Salem, Vijayanag[ar] and Visakhapatnam. Prop[o]sals for the expansion [of] TISCO works at Jamshedp[ur] to about four million tonn[es] from the present capacity [of] two million tonnes are und[er] consideration.

I.T. Mass Communication

The Income-tax Depar[t]ment has decided to organi[se] another mass communicati[on] programme this year. T[…]

Head of Development	Unit	Fourth Plan target	Likely ahieve-ment	Shortfall (Percentages)
1. **Agriculture**				
(a) Foodgrains	Million tonnes	129	115	10
(b) *Commercial crops*				
(i) Oil Seeds	Million tonnes	10.5	9.4	10
(ii) Sugarcane	-do-	150.0	135.0	10
(iii) Cotton	Million bales of 180 KW each	8.0	6.5	18
(iv) Jute & Mesta	-do-	8.5	6.7	18
(c) Irrigation (Major & Medium)	Million hectares	23.3	21.4	8
2. Power	Installed capacity in Million KW.	23	19	17
3. **Industrial Production**				
(i) Steel Ingots	Million Tonnes	10.0	7.54	24
(ii) Steel	-do-	8.1	5.42	33
(iii) Coal	-do-	93.5	80.0	14
(iv) Cement	-do-	18	15	16
(v) Iron Ore	-do-	51.4	38.0	26
(vi) Refinery Products	-do-	26	22	[illegible]
(vii) *Fertilisers*				
(i) Nitrogenous (N)	'000 Tonnes	2500	1200	[illegible]
(ii) Phosphatic (P_2O_5)	-do-	900	400	[illegible]
(viii) Aluminium	-do-	220	[illegible]	[illegible]
(ix) Copper	-do-	31	18	[illegible]
(x) Sugar	-do-	4700	4000	[illegible]
(xi) Cotton Cloth	Million Mtrs.	5100	4200	[illegible]

ogramme, which will be nducted from August 14 August 23, is aimed at ins- ing confidence among tax- yers in the working of the x administration and also ucating them about their hts and obligations under e direct tax laws. A similar ogramme last year evoked very favourable response d 1,80,250 persons who had ed away from the depart- ent came forward and filed luntary returns of income. During the current pro- amme, income-tax officers d other senior officials of partment will address a rge number of meetings or- nised under the auspices of ade and professional asso- tions. Whereas last year the ogramme was limited to aders and merchants in the wer and middle income oups, this year it is pro- sed to extend its coverage persons belonging to vari- s professions, such as doc- s, lawyers, engineers and chitects and also to tea- ers and lecturers.

erger of Heil ith Bhel

Prof Siddheshwar Prasad, puty minister for Heavy lustry stated that after the rger of Heavy Electricals dia) Ltd and Bharat Heavy ectricals Ltd, the new pro- sed undertaking would strive make the best use of foreign hnologies to prepare a long m programme for co-ordina- expansion of the four units l to develop an intergrated nagement training and de- opment programme. This uld enable each unit to cialise in certain lines of ducts only and avoid dupli- ion. There will be one re- rch and development orga- ition for the merged under- ing having a sub-unit at h location which will specia- in equipment that is pre- ninantly manufactured at location, he added. Ac- ding to him, this decision merger had been taken on recommendation of a high vered action committee ap- ited by the government er the chanirmanship of M.S. Pathak, Member, Planning Commission. The committee suggested that the existence of two separate companies in the heavy electrical equipment field tended to prevent the optimal use of scarce resources of plant, material and people and also of the imported technologies.

Australian Scheme of Tariff Preferences

India's export to Australia is likely to receive a stimulus as Australia has reduced the import tariff by 25 per cent during the last week of July this year. Each tariff level in Australia has been reduced by a quarter of what it was before. The reduction, however, does not apply to purely revenue duties and anti-dumping duties. The new Australian Scheme of Tariff Preferences for developing countries, which was announced recently, will replace the existing preference scheme, which, however, will remain in force until it is phased into the new system. The new system will include all manufactured and semi-manufactured products, including processed primary products, apart from a list of exceptions covering mainly products where developing countries are already competitive or likely to become competitive at general tariff rates of duty.

The initial margin of preferences will be 10 per cent *ad valorem* below the general tariff rate (that is a rate of 40 per cent *ad valorem* would become 30 per cent for a developing countries). The objective will be to increase the developing country, margin of preference by 10 per cent *ad valorem* at the end of a period of two years, until imports of particular products become competitive in Australian market. Duty free entry for a wide range of handicraft products — of which India is taking major advantage — will remain unchanged. Complementing the new preference system, the Australian government proposes to establish a small unit to assist developing countries to take advantage of the improved trading opportunities by servicing trade enquiries and providing assistance in the trade promotion field. India's export to Australia was of the order of Rs 18.92 crores during April to December, 1972-73 as against Rs 20.12 crore during the corresponding period in 1971-72.

Marketing Assistance for Small Sector

Addressing the National Seminar on Marketing Services for Small Entrepreneurs, Mr Pranab Mukherjee, deputy minister of Industrial Development, stated that there was an urgent need to pay attention to the marketing problem of small scale industires. He felt that the country needed an appex organisation with units located all over the country to act as an exchange for collecting and disseminating information on what the consumer needed and at what price and how much the producer was in a position to supply. The apex institution should maintain a well-organised research service so that there was a rich fund of information on various aspects of marketing of goods produced by the small units. They should also have links with markets abroad so that some of the small scale units in the country could take advantage of the situation prevailing in the foreign markets.

Transformer with Aluminium

For the first time in the country, Heavy Electricals (India) Ltd has manufactured a 132 kv current transformer with aluminium tube primary. Hitherto the transformers comprised of primary made of copper tube which was imported. However this was now replaced with indigenously available aluminium. This change resulted in saving foreign exchange to the tune of three to four lakhs rupees annually and also in saving in the cost of 132 and 220 kv current transformers considerably.

Exports of Mica

The Minerals & Metals Trading Corporation concluded a contract recently for export of mica worth Rs 5.3 crores to Soviet Union. Exports of mica have shown an increase of 33 per cent in the first half of 1973 over the corresponding period last year. With the conclusion of the contract with Soviet

Union. MMTC would have contracts of the order of Rs 13.70 crores to service this year. Negotiations for further sales are in progress with various countries and it is expected that export orders worth over Rs 4 crores will also be finalised shortly.

The progress so far has been quite encouraging and it is hoped that exports this year may touch a record figure of Rs 18 crores.

Export of Hides & Skins

The quota scheme for export of semi-processed hides and skins will be operative from August 1, 1973, instead of April 1, 1973. Out of the quotas fixed for each individual exporter/non-exporting tanner for the year 1973-74, only 50 per cent will be releasd for export during the current year, for the time being. The timing of the operation of the quota scheme was postponed because of the difficulties faced by exporters of finished leather and leather manufacturers.

High Pressure Boilers for Malaysia

Prof. Siddheshwar Prasad, deputy minister in the ministry of Heavy Industry, stated recently that Bharat Heavy Electricals Ltd, Tiruchy supplied two 60 MW boilers to Malaysia. There was a pending order of three 120 MW boilers from the same country and the undertaking had taken necessary steps to meet the commitment on schedule.

Export of Gems and Jewellery

The exports of gems and jewellery items shot up to Rs 50.97 crores during the first nine months of 1972-73 as against Rs 10.38 crores in 1965-66. Gems and jewellery items fetched foreign exchange worth Rs 47.36 crores for the country in 1971-72. Several steps have been taken by the government regarding supply of raw material for production. Emphasis was laid on modern methods of production and marketing techniques. A gem testing laboratory has also started functioning at Jaipur, providing gem testing facilities on scientific basis.

Export of Plastics

India's export of plastics and linoleums went up to Rs 8.43 crores in 1972-73, as against Rs 6.3 crores in 1971-72. The share of plastics in export trade registered an increase from Rs 4.86 crores to Rs 7 crores, while that of linoleums was maintained at Rs 1.43 crores. Commodity-wise, plastic moulded and extruded goods earned a foreign exchange of Rs 1.98 crores in 1972-73 as against Rs 92 lakhs in t preceding year, while the va of export of spectacle fram increased from Rs 42 lakhs 1971-72 to Rs 1.53 crores 1972-73. Among other ite polyethylene film sheets a bags recorded a sizeable crease to Rs 52 lakhs in 1972 as against Rs 10 lakhs in t previous year. The value

port of plastic imitation wellery and plastic electrical cessories went up to Rs 53 khs and 41.5 lakhs respectively. Jute and felt-based linoums earned a foreign exchange Rs 95 lakhs in 1972-73 as ainst Rs 71 lakhs during the eceding year.

Output of Road Rollers

Prof Siddheshwar Prasad, puty minister in the ministry Heavy Industry, revealed cently, that about 2000 road llers are expected to be proced in 1973. He stated that t of 31 applications received r manufacture of road rollers ring the last two years, eight ere approved in 1972.

Production of Automatic Watches

Prof Siddheshwar Prasad, puty minister in the minisy of Heavy Industry, stated at 9757 automatic watches lued at Rs 29.3 lakhs had en produced by the Hindusn Machine Tools Ltd, Banlore upto June, 1973. Out of is, 9630 watches valued at 28.9 lakhs were sold.

Progress of Tamil Nadu

Mr K.M. Mammen Maplai, President, the Hindusn Chamber of Commerce, adras pointed out at the nual general meeting held cently that the state govment had been extending eral concessions for setting industries in backward eas and providing all necesry infrastructure facilities. number of projects were der implementation in seal backward districts. The ustrial pattern was also dually changing, with more phasis on development of rochemicals, heavy chemi- engineering and electronic ustries. The state Planning mmission was now engaged the formulation of a perstive plan for 1974-84 bees drawing up a blue nt for the fifth Plan. There e enough indications t gest that the state was on move for rapid indus- l development. Some new spots which were coming up were those of the Salem and Tuticorin complexes which promised to take the State forward in a big way in the coming decade. He hoped that the problem of power shortage would be solved by reshuffling priorities between thermal and hydel units and by strengthening the southern regional grid to enable the state to achieve accelerated development.

He pointed out that the growth of our exports would depend on our capacity to compete in international markets. The recent move to make available raw materials at international prices was a step in the right direction. In addition, there should be built in incentives in the form of cash subsidy, adequate imports for replenishment and better facilities for importing capital goods and technology he added.

Rural Electrification

Mr V.K. Srinivasan, Chairman, The Co-operative Electric Supply Society Ltd, Sircilla, revealed at the annual general meeting held recently that the society took up the task of covering 173 villages of Sircilla taluk by establishing a distribution system of energising 8600 wells and 10,000 domestic services nearly 32 months back. The Society has been able to extend electricity to 84 new villages besides 10 hamlets and in all 130 villages of Sircilla taluk are now electrified and only 43 remain to be covered which are expected to be electrified within the next 18 months.

The consumption of power in the area has increased from 5.28 million units in 1970-71 to 12.33 million units during 1972-73. The total outlay of the project of Rs 2.96 crores was to be met from a loan from the Rural Electrification Corporation Ltd. The Society has drawn Rs 2.19 crores for utilisation of the works and procurements of stores. In view of the large programme of electrification of 36 new villages, besides minor extensions, it was proposed to draw further amount of Rs 59 lakhs during the current year. The balance sheet of the society for the year 1972-73 revealed a cumulative loss of Rs 4.45 lakhs. Steps were, however, being taken to minimise cost of construction affecting all-round economy. Mr Srinivasan pointed out that the project of the society towards electrification of villages was based on area coverage without reference to the immediate returns. He added that the gross revenue returns on the estimates prepared by the society worked out to just six per cent, not even half of what the electricity board necessitated as the minimum return of their schemes.

Expansion of Tube Valve Industry

There is good scope for expansion of automobile tube valves and valve parts industry in the country. At least five to six new units can be set up. Total demand for these products is estimated to be Rs 40 lakhs a year. This is revealed by the studies made by the Development Commissioner, Small Scale Industries. According to the studies, Jamnagar area in Gujarat offers better scope. Allied industry already exists in the area and manufacture of valves can be taken up by diversification of the production line. New entrepreneurs can also find good scope to set up such industry in that area. Full particulars about the development possibility of this industry are available with the State Directors of Industries and the Directors of Small Industries Service Institutes.

Raw Material for Engineering Industry

Steel requirements for engineering export during the fifth Plan and problems of raw material supply such as pig iron, hard coke and steel were discussed at a meeting under the chairmanship of Mr R. Tirumalai, Additional Secretary, ministry of Commerce, here recently. The Chairman of the Engineering Export Promotion Council, Mr Bhoota, the Secretary of the Council, Dr R.K. Singh, officials of the ministries of Finance, Steel and Mines and Industrial Development and the representatives from the industries participated in the deliberations. The meeting also discussed the procedural problems regarding exports. The next meeting was proposed to be held on August 24. It was also decided that such discussions would be held every month to work out solutions to different problems concerning exports.

Sugar Mill Machinery Export

The Engineering Export Promotion Council has stated that a six-man high-powered delegation of Sugar Mill Machinery Manufacturers was sent to Indonesia under the leadership of Dr B.D. Kalelkar, ex-Director General of Technical Development. According to Dr Bhoota, chairman of the Council, the business for Sugar Mill Machinery in Indonesia is reported to be worth \$ 100 million. A team of officials from the World Bank had visited Indonesia and prepared the feasibility report on this project and suggested an investment of \$ 100 million for the rehabilitation of sugar factories in Java Island. Besides rehabilitation of two sugar factories in East Java the Asian Development Bank has assured to give a credit aid. The members of the delegation proposed to visit various sugar mills in Jakarta, Surabaya and other places in Indonesia and to hold discussions with the government representatives, and also propose to conduct feasibility studies and offer technical assistance to sugar producing units. The delegation was made up of apart from Dr B.D. Kalelkar as leader. Mr H.C. Sood of Triveni Engg. Woroks Ltd, Mr P.K. Ganguly, Walchandnagar Industries Limited, Mr J.P. Mukherjee, J.P. Mukherjee & Associates, Mr V. Guruswamy, K.C.P. Limited, Mad

as, and Mr P K. Pal, Textile Machinery Corporation Ltd., as members. Dr B V. Bhoota, Chairman will join the delegation later in Jakarta to be with Dr. B. D. Kalelkar.

The Engineering Export Promotion Council has fixed a target of Rs 200 crores for the export of engineering goods in 1973-74. It will not be difficult to attain the target provided essential inputs are available, according to Dr B.V. Bhoota. Export performance of Indian engineering goods during the period April -June 1973 aggregated to Rs 33.95 crores as against Rs 29.97 crores during the corresponding period, showing a rise of 13 per cent. In the month of June, 1973 alone the export of engineering goods recorded Rs 10.25 crores as against Rs 9.51 in June, 1972.

Export of Furniture

Foreign demand for Indian furniture registered an upward trend during the recent years. The export value of furniture manufactured in India went up from Rs 42.5 lakhs in 1968-69 to 66.7 lakhs in 1971-72. Indian furnitures fetched Rs 50.6 lakhs for the country during the period April to December, 1972. Iron and steel chairs earned Rs 12 lakhs for the country during the first 9 months of 1972-73, while export of wooden furniture and furniture parts was also of the same order. Nigeria, Saudi Arabia, Kuwait, Zambia and Searra Leone were the main importers of iron and steel chairs from India while the important purchasers of wooden furniture were Federal Republic of Germany, Muscat, Nepal, Bangladesh, Sweden, USA, Japan Dubai and Bahrein Islands.

Export of Transistors

The value of exports of transistor radio receiver sets from the country was of the order of Rs 87 lakhs during the period March-December, 1972. Transistor radios worth of Rs 1.72 crores were exported in 1971-72, as against Rs 79 lakhs in 1970-71. This information was given by the union deputy minister of Commerce, Mr A.C. George, in a written reply in Rajya Sabha. Exports of transistor radios are likely to increase to Bangladesh, Singapore, Dubai, Saudi Arabia, Ethopia, ARE, Nigeria, Congo, Holland, Trinidad and UK.

Export of Books

Export of Indian books fetched Rs 90 lakhs during the first nine months of 1972-73 for the country. Country-wise, USA emerged as a leading buyer, importing books worth Rs 22.8 lakhs followed by UAR importing books worth about Rs 10 lakhs.

During the period, UK and Singapore purchased Indian books worth Rs 8 lakhs and Rs 6 lakhs respectively, while Bangladesh emerged as a significant buyer, claiming books worth Rs 5 lakhs from the country. Among other buyers were; Nepal, Nigeria, Malaysia, Federal Republic of Germany, Sri Lanka and Afghanistan. Nepal was the largest purchaser of Indian books worth Rs 30 lakhs out of the total export value of Rs 1.1 crores during 1971-72. USA imported books worth Rs 16.5 lakhs during the year, while the demand for Indian books went up significantly in a large number of countries including the UK, Singapore, Sri Lanka, Malaysia, Tanzania, Kenya, South Africa and Nigeria.

Names in the News

Mr Jagdish Parikh, partner, Printwell, Bombay, was recently elected as the President of the All India Federation of Master Printers (AIFMP). **Mr B. D. Sen** of Naba Mudran Pvt Ltd., Calcutta, was elected Vice-President and **Mr Homi A. Gazder** of Conway Printers, Bombay was elected as the Hon. General Secretary.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COMPANY AFFAIRS

Richardson Hindustan

THE DIRECTORS of Richardson Hindustan Ltd have proposed a second interim dividend of Rs 1.50 per share for the year ended June 30, 1973. Along with the first interim dividend of 50 paise per share the total dividend comes to Rs 2.00 per share as compared to Rs 1.80 per share in 1971-72. It has however been clarified that the directors do not intend to recommend any final dividend for 1972-73. The company has once again reported highly encouraging working results for the year under review. With an improvement in sales from Rs 5.24 crores to Rs 5.45 crores, gross profit moved up sharply by over 23 per cent from Rs 60.66 lakhs to Rs 74.93 lakhs. Out of the gross profit, the directors have allocated a sum of Rs 24.65 lakhs to depreciation, Rs 1.25 lakhs to development rebate reserve and Rs 29.50 lakhs to taxation reserve as against Rs 18.00 lakhs, Rs 1.60 lakhs and Rs 25.50 lakhs provided respectively in 1971-72. This leaves a substantially higher net profit of Rs 19.53 lakhs as compared to Rs 15.56 lakhs in the preceding year. After adjustments a sum of Rs 16.30 lakhs was transferred to general reserve as compared to Rs 16.90 lakhs in 1971-72. The proposed dividends will absorb Rs 14.00 lakhs as compared to Rs 12.60 lakhs in the previous year.

Bombay Dyeing

The directors of Bombay Dyeing and Manufacturing Co Ltd have proposed to issue bonus shares in the ratio of one share for every five shares held. They have also recommended a higher interim dividend of Rs 1.50 per share for 1973 as against an interim dividend of Rs 1.25 per share paid for 1972. The company paid a total dividend of Rs 4 per share in 1972 as against Rs 3.25 per share in 1971. The proposed bonus issue is, however, subject to the consent of the controller of capital issues, and it will be made by capitalising a sum of Rs 72.28 lakhs out of the company's general reserve.

Morarjee Goculdas

Morarjee Goculdas Spinning and Weaving Co. has fared extremely well during the year ended June 30, 1973, with sales, profits and margins recording significant improvements over 1971-72. Dividend, as is to be expected, has also been stepped up from 14 per cent to 16 per cent. What is more the higher dividend is payable on an enlarged capital as increased by one-for-four bonus issue. Improved results are attributed to abandant supply of cotton at reasonable prices, better product mix, use of modern management techniques and modernisation of the plant. With a spurt in sales from Rs 12.03 crores to Rs 14.66 crores, gross profit jumped by about 87 per cent from Rs 107.71 lakhs to Rs 201.60 lakhs. Out of the gross profit, the directors have set apart a sum of Rs 45.56 lakhs to depreciation reserve as against Rs 43.60 lakhs in 1971-72 while taxation absorbed Rs 58 lakhs as compared to Rs 21 lakhs in the earlier year. An amount of Rs 51.63 was earmarked for payment of gratuity as against no provision in the previous year. After adjustments the surplus of Rs 69.93 lakhs was transferred to general reserve. Equity dividend will claim Rs 29.90 lakhs as against Rs 20.93 lakhs in 1971-72 while preference dividends will absorb Rs 1.11 lakhs the same as in the previous year, and will be paid out of the general reserve.

Indian Rubber

The Indian Rubber Regenerating Co has reported disappointing working results during the year ended March 31, 1973. The directors consequently have slashed the equity dividend to Rs 6 per share as against Rs 12 per share paid for 1971-72. With a drop in sales from Rs 124.17 lakhs to Rs 114.41 lakhs, gross profit dipped to Rs 12.23 lakhs from Rs 16.83 lakhs in 1971-72. The setback is attributed to the fall in demand for the company's products which led to a decline in production from 7262 tonnes to 5931 tonnes, following the adverse impact of power cut and labour problems confronting the tyre manufacturers, the main customer. The turnover would have fallen more steeply but for the exports which were higher as Rs 15.31 lakhs as compared to Rs 9.61 lakhs in the previous year. The company is planning to diversify its manufacturing activity by undertaking the manufacture of rubber rollers, moulded rubber articles and textile cots and aprons and the activity of retreading of tyres.

Out of the gross profit the directors have allocated a sum of Rs 11.53 lakhs to depreciation reserve as against Rs 10.43 lakhs in 1971-72 while development rebate reserve was appropriated with Rs 1.35 lakhs as compared to Rs 1.25 lakhs in the preceding year. This leaves a deficit of Rs 54,970 as against a surplus of Rs 5.16 lakhs in 1971-72. After adjustments sum of Rs 2.10 lakhs was transferred to general reserve out of which the proposed dividend amounting to Rs 2.1 lakhs will be paid.

Gujarat Steel

Gujarat Steel Tubes ha earned a gross profit of R 53.93 lakhs for the year en ded March 31, 1973 as aga inst Rs 58.61 lakhs for th 15-month period ended Marc 31, 1972. Sales during th year under review amounte to Rs 6.99 crores as again Rs 5.67 crores in the earlie year. The directors have pro posed a dividend of Rs 1 per share for 1972-73 a against Rs 12.50 per shar paid for the preceding perio of 15 months. Out of th gross profit, the directors hav appropriated Rs 16.28 lakh to depreciation reserve, a against Rs 19.57 lakhs whil a sum of Rs 2.50 lakhs wa allotted to development reba reserve as compared to R one lakh in the previous yea Taxation absorbed Rs 15.2 lakhs, Rs 0.25 lakhs mor than in 1971-72. An amoun of Rs 1.25 lakhs was earmar ked for payment of gratuit while no provision was mad in the previous year. The pro posed dividend will claim R 13.20 lakhs.

The company's performanc would have been more en couraging but for a strike o over two months towards th close of the year. The cost o production also increased du to a sharp rise in the price major raw materials such a hot rolled steel sheets an zinc. The shortage of stee however, eased considerabl during the year due to th arrivals of imported steel. Th demand for pipes, which wa significantly low in the firs half of the year under revie improved substantially in th second half of the year. Th company exported 34 pe cent of its products as again 24 per cent in 1971-72. O of its total exports, nearly 4 per cent of its products we exported to the highly dev loped countries such as th USA, West Germany an Holland.

News and Notes

(Expansion and Diversific

Hindustan Brown Bov has received a letter of int for the manufacture of

tering equipment, a new m, in collaboration with own Boveri and Co. Ltd. e company has also obned the consent of the govnment to an increase in the ensed capacity in respect high tension air blast cirit breakers, transformers d power line carrier curnt equipment. Meanwhile e company has reported couraging working results ring the year ended April , 1973, which have enabled e directors to enhance the uity dividend from eight per nt to 12 per cent. The preninary figures disclose a rise turnover from Rs 12.24 ores to Rs 13.08 crores nile the gross profit leaped about 77.5 per cent from 96.44 lakhs to Rs 1.71 ores. The improved perforance is attributed to the eps taken to rationalise opetions and secure a better ilisation of capacities. Moreer the company has been ncentrating in lines which e more profitable.

Gangappa Cables has unrtaken expansion of its pacity to manufacture enal wires and super-enamel pper strips and it is expec- to enter the capital mar- shortly with a public issue Rs 40 lakhs. The expansion estimated to cost Rs 1.40 res and will be financed by share capital of Rs 46 hs and long-term borrows of Rs 94 lakhs. It has reved the government's appal for increasing the capa- of enamel wires from 900 1,050 tonnes and copper ps from 452 to 600 tonnes year. The turnover in the year after the expansion amount to about Rs 2.5 res. The turnover is expec- to increase to Rs 6 crores he third year.

ew Issues

Tiger Locks Limited propo- to enter the capital mar- some time next month for ing from the public Rs 50 as in the form of four lakh ity shares of Rs 10 each 10,000 preference shares Rs 100 each. The authoriscapital of the company is crore of rupee—80 lakhs equity and 20 lakhs preference. With the public issue next month, the issued capital of the company will go up to Rs 58 lakhs—Rs 8 lakhs worth equity shares are to be subscribed by the promoters. The company proposes to set up a new plant at Gurgaon in Haryana, to manufacture locks, padlocks, door closers, bathroom fittings, etc. Tiger Locks Limited is being formed as a public limited company through the amalgamation of Tiger Products Private Limited and Anchor Pressing Private Limited—the present two concerns of the promoters at Aligarh—and the takeover of another running concern at Aligarh, namely Indian Implements Manufacturing Company. The new unit at Guragaon will be primarily export-oriented. It is estimated to cost Rs 98 lakhs. It would augment the manufacturing capability of the existing concerns, which are being amalgamated, by about Rs 1.90 crores, raising the total turnover to about four crores of rupees per annum. Exports are envisaged to the extent of two crores of rupees. The existing concerns of the company have been exporting their products to such far of countries as the United States, Canada, Sweden, the United Kingdom, West Germany, Italy, Czechoslovakia, the German Democratic Republic, the Soviet Union, Poland, Hungary, Bulgaria, Yugoslavia, Switzerland, and Greece, etc. Export orders awaiting execution with the Company aggregate to about Rs 1.50 crores. The ICICI is likely to provide a foreign exchange loan of Rs 10 lakhs, which would suffice for the foreign exchange component of the Gurgaon project. The new factory is expected to go into partial production by April-May next year. A dividend of 10 per cent is expected to be declared during 1974-75.

Madhya Pradesh Electricals a new company promoted by Shakti Insulated Wires Pvt. Ltd., Bombay, and Madhya Pradesh State Industries Corporation Ltd., is offering to the public for subscription 294,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each. The subscription list opens on September 3 and will close on September 12 or earlier but not before September 7. The company holds an industrial licence to manufacture annually 1,280 tonnes of paper covered strips and 850 tonnes of enamelled wires and strips. Besides it has secured a letter of intent for the manufacture of 1600 tonnes of extruded products and sections per year and its application for the manufacture of 400 tonnes of copper|brass tubes per year is under the consideration of the government. The plant will be located at Bhopal and it is expected to go into production by April 1974. The total capital expenditure on the project is estimated at Rs 1.70 crores and it will be financed by the total equity capital of Rs 60 lakhs, preference capital of Rs 5 lakhs, term loans of Rs 95 lakhs and unsecured loans of Rs 10 lakhs to be arranged by the promoters.

Eddy Current Controls (India) Ltd is offering 88.200 equity shares of Rs 10 each at par to the public for subscription. The subscription list opens on August 20 and will close on September 1 or earlier but not before August 23. The company promoted by the Kerala State Industrial Development Corporation and a group of technicians has

set up a plant at Chalakudy, a backward area in the state of Kerala, for the manufacture of 4000 variable speed drives with electronic controls known as Eddy current clutches. The company has entered into technical collaboration with Yaskawa Electric Manufacturing company Ltd., Japan, one of the world leaders in this line of manufacture. The plant is expected to go on stream in the course of this month. According to the directors of the company there is a good market potential for the company's products which is estimated at 15,000 units per annum. There is also a good scope for exports. Sales in the first year are expected to be about Rs 36 lakhs and it is anticipated to increase to over one crore of rupees during the fifth year. The management is confident of paying a reasonable dividend from the second year of production.

Northern India Hotels Ltd., which is setting up an air-conditioned luxury hotel at Agra, proposes to enter the capital market on August 29 with a Rs 22.15 lakhs public issue in 1,80,000 equity shares of Rs 10 each and 4,150 (9.5 per cent) cumulative redeemable preference shares of Rs 100 each at par. The company already has an issued capital of Rs 12.85 lakhs, comprising Rs 12 lakhs in equity and Rs 85,000 in preference shares. The project cost is estimated at Rs 91.5 lakhs which will be met by the share capital (Rs 35 lakhs), loan from Hotel Development Loan Board (Rs 45 lakhs), advance rent from shops (Rs 4 lakhs) and foreign exchange loan of (Rs 7.50 lakhs) from the ICICI.

Orient Abrasives Ltd is setting up a project for the manufacture of brown and white aluminium oxide abrasive grains and calcined bauxite which is an intermediate in the manufacture of brown aluminium oxide abrasive grains in excess of its requirements. It has obtained from the government an industrial licence for an annual capacity of 4500 tonnes of aluminium oxide abrasive grains. No industrial licence is required for the manufacture of calcined bauxite. The company proposes to manufacture 1000 tonnes of white aluminium oxide abrasive grains, 3,000 tonnes of brown aluminium oxide abrasive grains and about 22,000 tonnes of calcined bauxite. The company will receive technical assistance from a reputed firm in Czechoslovakia who are one of the world pioneers in the field of abrasive industry. The company's plant will be located in the Porbandar Industrial Area of Gujarat Industrial Development Corporation. It is a backward d trict eligible for concession finance from financial instit tions and the company ma be eligible to get up to 20 p cent exemption from incom tax on its profits for the fi 10 years from commenceme of production. The main ra material bauxite is availab

plenty from Bhatia which near the company's site. It claimed that the company ll be the first to manufacre white aluminium oxide rasive grains in the country d the second producer of own aluminium oxide absive grains. The company pects to commence commeral production of white aluinium oxide abrasive grains the middle of next year and lcined bauxite and brown uminium oxide abrasive ains by the end of 1974 or rly 1975. To finance a part the cost of the project the mpany is offering 420,000 uity shares of Rs 10 each d 20,000 (9.5 per cent) reemable cumulative preferce shares of Rs 100 each for sh at par to the public for bscription. The subscription t for this fully underwritten sue opened on August 16 id will close on August 28 earlier but not before Aust 18.

apital and Bonus sues

Consent has been accorded nine companies to raise capi amounting to over Rs 4.23 ores. The following are the tails:

Maruti Ltd. Gurgaon, has en permitted to raise uity capital of Rs 1.6 cror in addition to Rs 24.06 khs already raised (under exemption order 1969) the form of equity shares Rs 10 each privately from promoters (including ends and directors) of the npany for setting up prot for the manufacture of ssenger cars.

National Industrial Devement Corporation Ltd., hi, has been accorded con, valid for three months, capitalise Rs 30 lakhs from general reserve and issue 30,000 fully-paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every share held.

Brihan Maharashtra Sugar Syndicate Ltd., Poona, has been granted consent, valid for three months, for issue of bonus shares worth Rs 28,39,950 only

Khandelwal Ferro Alloys Ltd., Bombay, has been granted consent, valid for three months, for issue of bonus shares of Rs 49,786 lakhs only.

Hoechst Dyes and Chemicals Ltd., Bombay, has been granted consent for issue of share capital worth Rs 85 lakhs comprised in bonus shares worth Rs 40 lakhs and equity shares worth Rs 45 lakhs.

Premier Auto Electric Ltd. Bombay has been granted consent for issue of bonus shares for Rs five lakhs, valid for three months.

Needle Roller Bearing Company Ltd, has been accorded consent, valid for three months, to capitalise Rs 10 lakhs out of its general reserves and issue fully-paid equity shares of Rs 100 each, as bonus shares, in the ratio of one bonus share for every one equity share held.

Poona Industrial Hotel Ltd, Poona, having a subscribed capital of Rs 40 lakhs, has been accorded consent, valid for 12 months, for the issue of further capital of Rs 15 lakhs in 1.5 lakh equity shares of Rs 10 each privately for cash at par. The proceeds will be utilised for recouping the accumulated cash losses and to improve the liquidity position of the company.

Kalyani Steels Ltd has been permitted to issue capital under Clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 40 lakhs in the form of three lakh equity shares of Rs 10 each and 10,000 cumulative redeemable preference shares of Rs 100 each to set up steel furnace and continuous casting and rolling mill plant for the production of hot rolled milled steels.

Company Meetings

The Hindoostan Spinning and Weaving Mills Ltd: Patkar Hall, 1, Nathibai Thackersey Road, Off Queens Road, Bombay 400020; August 29 4.00 P.M.

The Western India Plywoods Ltd: Registered Office Baliapatam, Cannanore Dist Kerala State; August 18 4 P.M.

Mysore Commercial Union Ltd: Registered Office, Yesvantpur Bangalore-22; August 23; 4 P.M.

Mihir Textiles Ltd: Registered Office of the company situated at the New Shorrock Spg. & Mfg. Co. Ltd. Mills Premises, Asarwa Road, Ahmedabad 380061; August 25 10. A.M.

Dividends

(Per cent)

Name of the company	year ended	Equity dividend declared for Current year	Previous year
Higher Dividend			
Sarvaraya Textiles	March 31, 1973	8.0	Nil
Peria Karamalai Tea and Produce Co.	March 31, 1973	16.0	15.0
Balmer Lawrie and Company	December 31, 1972	7.0	Nil
Mettur Beardsell Ltd.	March 31, 1973	25.0	20.0
Puthuthotam Estates (1943) Ltd	March 31, 1973	6.0	Nil
Thana Electric Supply	March 31, 1973	11.5	11.0
Same Dividend			
Atlas Cycle	December 31, 1972	12.5	12.5
Remington Rand of India	March 31, 1973	12.0	12.0
Aluminium Industries	March 31, 1973	Nil	Nil
Ruby Mills	March 31, 1973	8.0	8.0
Bally Jute	March 31, 1973	14.0	14.0
Davangere Cotton	March 31, 1973	12.0	12.0
Reduced Dividend			
Transformer & Switchgear	March 31, 1973	Nil	10.0
Chembra Peak Estate	March 31, 1973	10.0	12.5
Engine Valves	March 31, 1973	13.0+	16.0
Mysore Paper Mills	March 31, 1973	12.5	15.0

+On enlarged capital

ASSOCIATION OF MAN-MADE FIBRE INDUSTRY

Shri N.M. Jain

Summary of the Speech Delivered by the President, Shri N. M. Jain, at the Nineteenth Annual General Meeting of the Association of Man-Made Fibre Industry held on Sunday, the 5th August, 1973 at 3.00 p.m. at the Walchand Hirachand Hall, Indian Merchants' Chamber Building, 76, Veer Nariman Road, Bombay-400020

Welcoming the Hon'ble Union Minister of State for Planning, Shri Mohan Dharia, and other distinguished guests, the President to begin with dwelt in brief upon the major national and international events. He pointed out that slackness in the present economic growth rate vis-a-vis the alarming fast growth of population has relegated to the background even some of the significant achievements during the last 25 years. He was however confident that with the removal of certain restrictions and constraints bedevilling the industry, the output could be stepped up almost immediately bringing certain significant relief to the country.

While stressing the need to view the industrial licensing policy in a pragmatic manner, he pointed out that the creation of a stable climate, free from dogmatic approach, would be conducive to the attainment of physical targets. He, however, emphasised that unless prices are brought under control and the instability in the financial base of domestic and external resources is promptly corrected, the objectives of the Fifth Five Year Plan would remain a far cry.

Man-made Fibre Industry in India and the world

Striking a note of optimism the President pointed out that, given reasonable incentives the man-made fibre industry would contribute to the improvement of the country's economy in diverse ways. His observations in this regard were as follows:-

Man-Made Fibres are gaining increasing mass appreciation and acceptance due to their virtues of utility and versatility. World production of man-made fibres now totals about 21,770 million lbs. From a very humble beginning towards the end of the last century, their share in total fibre production is now more than 40 per cent and is estimated to reach the 50 per cent mark towards the close of the seventies.

The man-made fibre industry in India has shaped itself very well during the short span of its existence of 23 years. Making its debut in the year 1951 in a very humble way, the industry has now grown and diversified and it is producing a large part of its raw material in the country and also exporting artsilk fabrics, readymade garments, made-up articles, hosiery and industrial items like tyre cord to many countries of the world. Production of man-made fibres in 1972 was 152 million kg and was made up of 70 million kg of viscose staple fibre, 40 million kg of rayon filament yarn, 19 million kg of viscose tyre yarn, 2 million kg of acetate filament and staple fibre, 14 million kg of nylon filament and staple fibre and 7 million kg of polyester staple fibre and filament. The other important sector of the man-made textile industry is the weaving sector comprising a sizeable number of powerlooms—more than a lakh—and a very large number of handlooms—about 4 lakhs—spread throughout the length and breadth of the country.

Its importance to the Economy

To achieve the objective of the Fifth Five Year Plan, namely, the eradication of poverty, we have to produce more of essential consumer goods including cheap cloth which the masses need. The growing population and the fall in per capita availability of cotton cloth and the fact that India cannot afford to have the luxury of either importing more cotton or bringing more arable lands for cultivation of cotton instead of food crops are factors making it imperative that the growth of the man-made fibre industry should be ensured by putting the industry on a sound economic footing.

Rayon, a cellulosic fibre is admirably suitable to supplement cotton, to blend with cotton and to be used in place of cotton for everyday as well as for ceremonial wear. For instance, the prices of processed rayon fabrics vary from Rs 2.25 to about Rs 4|- per metre; the average price being Rs 3|- per metre, whereas the price of bleached cotton long cloth is approximately Rs 3.5 per metre. Another strong point in favour of cellulosics is that it is a labour intensive industry. Expansion of the man-made fibre industry in general and the rayon industry in particular is, therefore, vitally necessary. It caused the industry great surprise when a newspaper report appeared a few days ago to the effect that the Hon'ble Minister for Planning, Shri D.P. Dhar, expressed a view that the Planning Commission was in favour of a policy of actively discouraging further expansion of the man-made fibre industry in the fifth plan. It is sincerely hoped that the Hon'ble Minister for Planning was not reported accurately and that it was really not his intention to stop further growth of the man-made fibre industry and he will take note of the recommendations made by the vario Task Forces and the Develo ment Council for Man-Ma Textiles.

Self-reliance— An integrat approach

Apart from mere outp increases, the industry has al certain achievements to credit in the realm of dev lopment of raw material sources indigenously. A m jor break-through was achie ed with the production of yon grade wood pulp fro bamboo and eucalyptus. T present production capac of rayon grade wood pulp about 1,25,000 tonnes p annum and our forest resou ces are adequate to satis all our future requirements. far as caprolactam a D.M.T. are concerned, it hoped that, with the esta lishment of huge petro-che cal complexes, there will near self-sufficiency towar the close of the seventies. Ev in the realm of plant machinery, the days of to dependence on imports disappearing. With the pansion of the machine bu ing industry in the and the efforts made by engaged in the industry, now possible to procure cally nearly 90 per cent machinery and equipment setting up rayon plants an increasing number of of equipment and compo for synthetic fibre plants.

Future growth

While expansion of is imperative, the prices

by the industry at present not remunerative enough make expansion econo- cally viable, and this, has couraged entrepreneurs to est fresh capital in the in- stry. To avert this trend following remedial mea- es are suggested:-

i) The existing units which put up additional capacity be permitted to sell a major part of the additional output in the free market, after reserving adequate quantity for supply at concessional prices against exports of rayon fabrics.

ii) A preferential rate of excise duty as was applicable before the last budget should be restored to units with a production upto 15 tonnes per day.

ii) The expanded production be exempted to the extent of 50 per cent of the effective rate of excise duty for a period of five years from the date of commencement of production.

v) Since it is economical to expand the existing units rather than establishing new units, the preference for putting up additional capacity should be given to the existing units so that the smaller units can also expand to the economic size of 15 tonnes per day capacity.

port potential

Currently, India ranks fifth the production of viscose ment yarn in the world. developed countries have tailed their production of cose Filament Yarn and ny such countries have er scrapped or closed down r plants for an indefinite iod because of uneconomic king. It is, therefore, felt India should take advan- of this situation and en- into these export markets Rayon Yarn. There is an mited scope for export, if enough indigenous ca- ity for the manufacture of e rayon yarn is estab- d and exportable surplus reated, after fully meeting domestic requirements, it would be possible to develop export markets for rayon yarn to a sizeable extent.

The same export potential holds good for viscose staple fibre also. In the realm of exports of industrial yarn also (viz. viscose rayon tyrecord) the country has made a good beginning by earning foreign exchange worth about Rs 174 lakhs in 1971 and about Rs 83 lakhs in 1972, by exporting to highly sophisticated, competitive and hard currency areas.

This apart, with a view to promoting exports of artsilk fabrics on healthy lines, the viscose filament industry is supplying yarn to exporters of fabrics at prices substantially lower than the international prices. With this incentive and the cash assistance given by S.T.C. and also with efforts of the Silk & Rayon Textiles Export Promotion Council, the exports of rayon fabrics are getting accelerated and currently exports to the tune of about Rs 11 crores are being effected. It is estimated further that by 1978-79 a target of approximately 110 million metres of exports valued at Rs 20 crores could be reached.

Problems of the Industry

(*a*) *Acetate Rayon Yarn*

Currently, there is only one unit in this field viz. Messrs Sirsilk Ltd., producing acetate yarn. The existing plant and machinery of the unit badly needs modernisation and rehabilitation but it is carrying unpaid liabilities totalling to approximately Rs 8 crores. Thus, unless there is substantial reduction in excise duty, it is not possible for this unit to generate adequate capital for modernisation and expansion. It is, therefore, advisable that the Government should not only withdraw the enhanced excise duty of 55 paise per kg. imposed in the last budget, but also reduce the original duty by at least 50 per cent.

(*b*) *Viscose Staple Fibre*

As per the existing policy the Government considers only integrated proposals for production of staple fibre and pulp. A minimum pulp plant of 100 tonnes per day will require a total block investment of approximately Rs 20 crores and half of the pulp will have to be sold to other rayon manufacturers. Because of the large investment involved, many Companies are prevented from entering the viscose staple fibre field. As such delinking of staple fibre and pulp units is an absolute necessity.

(*c*) *Voluntary Agreement relating to Viscose Filament Yarn*

The reports of the Tariff Commission on various man-made fibres and yarns were placed in Parliament a few days ago. Because of the inevitable lapse of time between their submission to the Government and their presentation to Parliament, these reports have become out of date as the cost structure has undergone a radical change during this period due to galloping inflation. For example, wood pulp prices increased by 65 per cent, solid caustic soda by 85 per cent, zinc by 68 per cent, furnace oil by 31 per cent and coal by 32 per cent. The total increase in cost of production has been of the order of Rs 3.50 per kg in the case of rayon filament yarn. The Minister for Commerce has fully explained in Parliament the reasons for the Government not being in a position to act on the recommendations in these Tariff Commission reports. It is the fervent hope of the industry that the Ministry of Commerce will now and in future always take full note of the above and the complex nature of the problems faced by this industry and formulate the Government's policies in consultation with the industry.

Furthermore, there is already in existence a price and distribution agreement which has been in force for some years now. The essence of this agreement is that both the spinning and weaving sections recognise their common interest in creating and maintaining a climate favourable for the steady expansion of cellulosic fibre and fabric industries. In a situation of this kind, Government intervention in the regulation of prices or distribution may perhaps do more harm than good.

(*d*) *Excise duty on Synthetic Fibres*

It is common knowledge that the usage of synthetic fibre is gaining increased mass acceptance and consumer preference here and elsewhere. By virtue of its phenomenal progress several institutions including the Ministry of Petroleum & Chemicals have envisaged for the Fifth Five Year Plan a target which is more or less equivalent to nearly six times the existing level of production. In the circumstances, the Government should adopt a forward looking policy in respect of this industry so that heavy, burdensome and disproportionate excise duties do not act as a deterrent to the growth of the industry. The high excise duty is also encouraging smuggling, depriving the Government of its legitimate revenue and works to the detriment of this growing industry.

(*e*) *Increase in import duty on Wood Pulp*

The entire requirement of wood pulp for the manufacture of tyre yarn and a major portion of the pulp required for the manufacture of rayon filament yarn is being imported at present. The increase in import duty from 15 per cent to 40 per cent ad valorem which works out to 266 per cent over the erstwhile rate of import duty is very drastic and the industry is unable to bear such a heavy impost on its basic raw material.

The filament rayon yarn manufacturing industry is currently supplying 60.5 per cent of its production to weavers under the voluntary agreement at prices which are far below the domestic prices prevailing in other countries. In addition, the industry is also supplying 10 per cent of its production at concessional rates, which are also far below the international prices, as replenishment against export of rayon fabrics. Similarly, rayon tyrecord manufacturer have maintained a stable price level since July 1968 by ex

ercising self-restraint and by absorbing the ever-increasing cost of production despite poor offtake. It is, therefore, submitted that the Government should also co-operate with the industry and not subject it to unduly high tax burdens.

(f) Import policy for raw materials

The need of the hour is to remove the shortages by increasing production. Any restriction on supply of essential imported raw materials at this stage would only worsen the situation and deprive the Government of substantial revenues. Yet, this is what is happening and one of the largest rayon filament yarn producing units is being forced to cut its production due to curtailment of allocation of imported pulp to it. Such a step would have very adverse effect on the already acute short supply position and on the employment and revenue earning potential of the spinning and weaving industries.

The existing procedure for import of Wood Pulp as well as Caprolactam canalised through STC also entails considerable delays. It is observed that, on an average, it takes a minimum of about four months to obtain release orders from the date of submission of import applications. In the case of sulphur, import of which is canalised through the M.M.T.C. it is observed that no such procedure of issue of release orders, etc., is being followed and instead the D.G.T.D. certifies the annual requirements of sulphur on the basis of which the M.M.T.C. arranges imports at regular intervals. We would, therefore, suggest that a similar procedure be followed for the import of rayon grade wood pulp and caprolactam.

(g) High STC Service changes

Currently, on the import of rayon grade wood pulp and caprolactam the S.T.C. is levying service charges at the rate of 7.1 per cent and 9.5 per cent respectively, whereas when the industry was directly importing these basic raw materials against Actual Users' import licences such charges worked out to less than 1 per cent of the c.i.f. value. Since rayon filament yarn/tyre yarn and nylon filament yarn are essential commodities and the Government has classified the same as a priority industry, it is earnestly requested that these exorbitant charges be reduced to about 1 per cent of the c.i.f. value, especially when the industry is supplying bulk of its production to the actual users and exporters at considerably low prices.

(h) Rayon Tyrecord Prices

Inspite of low offtake and increased competition from nylon both imported and indigenous, the rayon tyrecord industry has, in keeping with the recommendations of the Tariff Commission and the country's policy of exporting more, cultivated good export markets in many advanced countries for this non-traditional product and one of the units was recently awarded the ICMA's Export Award for its rayon tyrecord export performance. If sufficient assistance is given by the Government, tyrecord exports can go up further considerably.

To ensure fuller utilisation of the existing rayon tyrecord capacity, as recommended by the Tariff Commission also, we suggest the following measures—

(i) Import of nylon tyrecord should be completely banned, both under Actual Users' licensing as well as against export of tyres.

(ii) Adequate incentives be granted against exports of rayon tyre yarn cord.

(iii) In view of the exemplary behaviour of the industry and the critical position in which it is at present, the existing prices should not be disturbed.

We hope the Government would consider these suggestions favourably.

Need for Forward-looking Policy

The man-made fibre industry was born of an idea. The meteoric rise of man-made fibres is nothing more than the expression of our growing technical and industrial skill. By means of these new and reasonably priced materials the masses have been able to enjoy the luxury of silk which was, for centuries, restricted to a few.

It is against this backdrop of the expanding world of man-mades that the prospects of this industry in India has be assessed and its ... resolved with a forward-looking policy. The Indian ... made fibre industry is cap... of becoming self-reliant, ... adequate and timely assist... and encouragement from ... Government by way of a ... ral policy based on plan... for an economy of ...

RECO AND STATISTICS

crease in nemployment

E MINISTER of Plan-
g, Mr D.P. Dhar, recently
wered a number of ques-
s in the Lok Sabha regar-
g the unemployment situa-
in the country and the
ps taken by the government
generate new employment
ortunities. Besides crash
emes for rural employment,
centre has provided as-
ance to the states for spe-
employment schemes. For
educated unemployed,
grammes initiated in 1971-
have created some em-
yment opportunities though
bulk of the persons in
category have been forc-
to fend for themselves.
en below are the replies of
minister of Planning which
hlight the limits up to
ch the government is wil-
to operate to solve this
lish problem:-

he number of unemployed
ple in the country at be-
ning of the fourth Plan was
mated at 3.42 million. The
nber of job-seekers regis-
d with the employment ex-
nges as on December 3,
2 was 68,95,089. The live
ster figures have, however,
be examined in the context
their admitted limitations.
the Committee on Unem-
yment has stated in its re-
, the persons registering
nselves with the employ-
nt exchanges are not neces-
ly unemployed. On the
er hand, many persons
o are unemployed do not
their names registered
the employment exchan-
. A considerable amount of multiple registrations also exists.

The growth of employment in a country is linked with the process of economic development and the rate of growth. The rate of growth has been inadequate during the last $1\frac{1}{2}$ decades. As indicated in the Approach Paper, the first decade of planning, 1951-60 achieved a trend rate of growth of only 3.8 per cent and the second decade, 1961-70., only 3.7 per cent. Agriculture, which was doing well in the first two years of the fourth Plan period, had a set-back during the third year. On account of adverse climatic factors, there is, as indicated in the Approach Paper, a possibility of further decline in production in 1971-72. Industrial production has been growing much slower than the 8-10 per cent rate as envisaged in the Plan. The Committee on Unemployment has, in its report, analysed that a sharp deterioration took place in 1966. The report states that the situation was not particularly bright in 1967. The industrial production showed a recovery during 1968 with a rise of 6.4 per cent over the previous year. This trend was maintained in 1969 with a rise of 7.1 per cent. The rate of growth, however, dropped to 4.8 per cent in 1970 and 3.0 per cent in 1971. There was slight improvement in 1972, but it was well below the desired eight per cent. However, the government are fully aware and the strategy for growth and employment creation, as outlined in the Approach Document, would be adopted to meet the problem.

Besides the normal Plan programmes in the fourth five-year Plan which provided employment opportunities to bulk of unemployed persons, the government of India undertook several Special Employment Programmes commencing from 1971-72. These are described below:-

I. Programmes for educated unemployed initiated in 1971-72 and for highly qualified engineers, technologists and scientists drawn up by the central government in 1972-73:

Under this programme, Rs 9.81 crores were released to the states resulting in about 45,000 job opportunities mostly for the educated. The central budget provision for 1972-73 for the programmes of educated unemployed and for highly qualified engineers, technologists and scientists was Rs 63 crores comprising Rs 43 crores for educated unemployed and Rs 20 crores for engineers, technologists and scientists against which a sum of Rs 7.13 crores was actually allocated to the states resulting in nearly 64,000 additional job opportunities mainly for educated persons in that year. The outlay on these programmes for 1973-74 is of the same order as in 1972-73. The schemes being implemented under this programme are as under:-

1. Expansion and improvement in the quality of primary education.
2. Financial assistance to small entrepreneurs for setting up small industries.
3. Rural engineering surveys.
4. Setting up of agro-service centres.
5. Expansion of consumer co-operative stores.
6. Investigation of road projects.
7. Design units for rural water supply.
8. Investigation of irrigation and flood control projects.
9. Natural resources surveys—Survey of Land and Soil, ground water resources, forest resources and mineral resources.

II. Special employment programmes in states and union territories:

An amount of Rs 26.50 crores was allocated during 1972-73 to various state governments on the understanding that they would raise additional matching resources to an equal extent for drawing up special employment programmes. A sum of Rs 0.50 crore was also allocated for similar programmes in the union territories. It is estimated that additional employment was provided under this programme to about 370,000 persons including 70,000 educated in 1972-73. A similar allocation has been made for this programme for the year 1973-74.

III. The Half a Million Jobs Programme for Educated Unemployed—1973-74:

In spite of efforts to solve the unemployment problem as indicated above, it was felt that that the problem of unemployment was becoming more and more serious, particularly among the educated; it was, therefore, decided to start a special employment programme to provide job opportunities to the educated unemployed. The government of India have started the Half a Million Jobs Programme in 1973-74 with a total budget provision of Rs 100 crores. Under this programme, different states|union territories have been asked to formulate and implement schemes within a ceiling amount allocated to each aimed at securing employment opportunities for a specified number of persons. The proposals formulated by the state|union territories under this programme have been cleared by the Planning Commission for implementation.

IV. Crash Scheme for Rural Employment:

This scheme was introduced in 1971-72 with the object of providing employment to 1,000 persons on an average continuously for a working season of 10 months in a year in every district in the country. During 1971-72, an amount of Rs 31.22 crores was spent resulting in 80 million man-days of employment. In 1972-73, the total expenditure incurred by different states was Rs 47.11 crores thereby gene-

rating employment of 130.35 million man-days. The Plan outlay for this scheme during 1973-74 is Rs 50 crores.

V. Programme for Small Farmers, Marginal Farmers and Agricultural Labourers:

This scheme was introduced in 1969-70. The scheme is intended for economic development of vulnerable rural classes by suitably strengthening the infrastructure base of Small Farmers, Marginal Farmers and Agricultural Labourers consistent with the prevailing thin employment in the rural areas. Till the end of December, 1972, about 3 million beneficiaries were identified. Of these, about 1.3 million have been enrolled as members of cooperatives. Upto the end of 1972-73, an expenditure of Rs 17.32 crores was incurred. For 1973-74, a provision of Rs 20.00 crores has been made for this programme.

VI. Drought Prone Area Programme:

This programme is intended for the economic development of certain vulnerable areas of low resources en-aims at mitigating the seve-dowment. The programme rity of scarcity conditions by organising productive and labour intensive programmes like medium/minor irrigation, soil conservation, afforestation and construction of roads. During 1970-71 and 1971-72, a total expenditure of Rs 30.80 crores was incurred resulting in employment of about 4.70 million mandays. During 1972-73, state governments reported an expenditure of Rs 38.51 crores, thereby generating employment of 40 million mandays. An allocation of Rs 22.00 crores has been made for this programme in 1973-74.

In the Fifth Plan, employment-oriented schemes will, as indicated in the Approach Document, be designed in a manner that will lead to the maximum possible creation of durable productive assets while ensuring that their employment content does not thereby get diluted.

Amount allotted by the Centre to various State Governments to create Employment Opportunities during 1973-74

(Rs cror

Sl No	State/Union Territory	Crash Scheme for Rural Employment	Special Employment Schemes and Union Territories (Central Assistance)	Continuing schemes for educated unemployed initiated in 1971/72	Ceiling within which State Government have been requested to formulate schemes under The Half a Million Jobs Programme subject to the guidelines	Tot
1	2	3	4	5	6	7
	States					
1	Andhra Pradesh	3.14	2.13	3.01	6.00	14.2
2	Assam	1.15	0.72	2.35	1.50	5.7
3	Bihar	4.53	2.75	6.88	8.50	22.6
4	Gujarat	2.33	1.31	2.28	3.50	9.4
5	Haryana	0.87	0.49	1.64	1.75	4.7
6	Himachal Pradesh	1.20	0.17	1.62	0.60	3.5
7	Jammu & Kashmir	1.15	0.23	1.56	0.75	3.6
8	Kerala	1.54	1.04	2.51	7.00	12.0
9	Madhya Pradesh	5.33	2.04	5.73	5.30	18.4
10	Maharashtra	3.20	2.47	2.86	8.00	16.5
11	Manipur	0.27	0.05	0.10	0.40	0.8
12	Meghalaya	0.25	0.05	0.24	0.20	0.7
13	Mysore	2.33	1.43	2.55	5.00	11.3
14	Nagaland	0.29	0 03	0.28	0.12	0.7
15	Orissa	1.78	1.08	3.04	2.80	8.7
16	Punjab	1.37	0.66	1.47	2.20	5.7
17	Rajasthan	3.20	1.26	4.36	3.25	12.0
18	Tamil Nadu	2.61	2.01	2.88	6.50	14 0
19	Tripura	0.25	0.08	0.14	0.40	0.8
20	Uttar Pradesh	6.74	4.32	8.35	11.00	30.4
21	West Bengal	2.94	2.18	5.65	15.00	25.7
	Union Territories					
22	Andaman & Nicobar Islands	0.04	0.01	0.04	0.03	0.1
23	Arunachal Pradesh	0.29	0.03	0.22	0.06	0.6
24	Chandigarh	0 07	0 02	0.06	0.25	0 4
25	Dadra & Nagar Haveli	0.07	0.01	0 01	0.01	0.1
26	Delhi	0.10	0.30	0.84	2.50	3.7
27	Goa, Daman & Diu	0.13	0.06	0.26	0.20	0.6
28	Laccadive, Minicoy & Amindivi Islands	0.04	0 01	0 01	0.01	0
29	Mizoram	0.10	0 02	0.02	0.06	0.
30	Pondicherry	0.15	0.04	0.20	0.14	0.5
	Total	47.46	27.00	61.16	93.03	228.6

NOTE: For special employment programmes (Col 4 above) State Governments are exp to make a matching contribution.

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Deservedly for deaf ears

IN THEIR Independence Day orations, the president, in forth-right terms, and the prime minister, less unequivocally, called for a moratorium on strikes and lock-outs. Although lock-outs have been coupled with strikes, it is clear that this has been done y as tactful tactics. Whether president or prime minister, a politician is always a litician first and a politician last. Nevertheless, it is significant that the governent has at last recognized that industrial peace is the problem of the day and that s peace is threatened primarily by militant trade unionism.

Mrs Gandhi, again speaking essentially as a politician, has appealed to the work- not to "press their demands at this juncture in the larger interests of the nation." cannot of course be expected of her to state publicly that many of these demands ght not to be raised at all at this or any other juncture since they are *per se* untenable. vertheless she cannot be functioning as the prime minister without being made aware the fact that industrial peace is being disrupted frequently by workers' leaders or eir organizations on the flimsiest grounds or without reasonable justification in terms the real or long-term welfare of the workers.

The Usha sewing machine factory in Calcutta, for instance, has been strikeound from the 25th of March this year. Although the workers' monthly earnings at is industrial establishment are 160 per cent of the regional rate at the minimum of the cently increased wage scale and 150 per cent at the maximum, the strike, which was arted on a frivolous issue, is being prolonged indefinitely on the basis of such demands that the annual bonus must be paid as a fixed percentage of earnings irrespective of e profitability of the enterprise. For a unit which has been losing, on an average, 50 lakhs annually for the last three years, this is an impossible claim to recognize, pecially in the absence of an assurance that optimum productivity level would be tained or jointly settled production norms fulfilled. As a result, what has been one the country's more dynamic industrial establishments is now in danger of becoming chronic invalid.

Even worse has been the fate of the Hind cycle works in Bombay which has been ompelled to stop operations by the crippling increases in labour costs that have damag- d seriously its ways and means position. When it is noted that sewing machines and icycles are more or less essential goods which are directly relevant to employment and he standard of living of the mass of the people, it will be readily appreciated how the ndiscipline prevailing among workers or within their organizations is mocking at the ery *raison d'etre* of the Approach to the fifth Plan.

It is obvious that the disturbance of industrial peace by irresponsible trade unions r factions in trade unions constitutes a very grave threat indeed to the well-being of the nass of the people today as well as to their hopes of a better tomorrow. For instance, hen employment in the decentralized sector of the weaving industry has been curtail- d by a shortage of cotton yarn or man-made fibres, the workers at the pulp factory of walior Rayons in Kerala have not been able to resist the temptation to go on their egular annual spree of working up an artificial agitation over the perennial bonus sue. In the circumstances, it would be idle to pretend that strikes are being resorted for legitimate trade union purposes, for promoting the collective welfare of the work- s or even for redressing the just grievances of sections of them. To state the savage uth bluntly, the strikes of today are offences against the community indulged in by wless elements in the trade union movement with more than the moral support and erhaps at the active instigation of political bosses working in the interests of their res- ective parties or, worse still, acting for personal aggrandizement.

Unfortunately, the government's failures in the economic field have engendered n atmosphere congenial to the growth of these predatory activities on the part of the ss responsible sections of the trade union movement. The lack of employment opporunities and the rising prices as well as the proliferating shortages of essential commodies, are severally and collectively creating economic and social stresses which provoke nti-social and even self-destructive attitudes among the people. In such a context, ections of the community which regard themselves as being in a position to ring pressure on the government or the public by adopting coercive tactics are mpted to make an attempt. In this sense, hoarding, profiteering or industrial

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unrest engineered by irresponsible workers' organizations or their leaders, readily fall into a pattern. It follows that, so long as there is not some degree of basic economic stability arising out of a steady growth in employment and production, the government would continue to be helpless in securing industrial peace for the country.

This general situation apart, it is also worth pointing out that the government's negative and often obstructive handling of the issues of industrial investment and production have been contributing substantially to the unsatisfactory labour situation. When, for instance, an industrial unit is denied additional raw material on the ground that it is producing in excess of sanctioned limits, its ability to maintain industrial peace in its establishment is seriously jeopardized. Not only is it less able to meet its workers' demands for improvement in emoluments, but it is also compelled to lay off some of its labour force in a bid to save its financial viability.

Similarly, when an enterprise, in an effort to keep growing, applies for diversification or expansion but fails to meet with a positive response from the government, its capacity to generate and maintain an optimistic atmosphere among its workers or other personnel is weakened. This often results in a sense of frustration creeping into the entire works or even tensions building up. It is indeed most unfortunate that the government's industrial policy-makers or administrators do not realize that industrial peace cannot be ensured in a positive sense unless individual industrial units are free to function dynamically so that they are in a continuous state of development and growth. Stagnation in industrial activity must necessarily breed industrial unrest. So long as the government does not grasp this basic truth, appeals, whether from the president over All India Radio, or from the prime minister from the ramparts of the Red Fort, will fall deservedly on deaf ears.

Fostering small industries

IN AN under-developed country such as ours, where there is dearth of capital and abudance of labour, small-scale industries, which are less capital intensive and more labour-oriented than large-scale units, obviously have a vital role to play in opening up new vistas of employment. Right since the launching of the second fire-year Plan, a good deal of emphasis has been placed on the development of these industries. The progress too has not been insignificant, as currently nearly half of our industrial output is contributed by the small-scale sector. Yet a lot still remains to be done.

Small-scale industries in our country have been sought to be developed hitherto primarily through reserving some areas of production for them and making available equipment and machinery on hire-purchase basis to the concerned entrepreneurs. Efforts have also been made for setting up industrial estates where small-scale units can be housed. Ancillaries have been encouraged to some extent by the giant public sector undertakings and some large-scale units in the private sector. Some fiscal concessions too are being provided to small units. They are as well accorded a preferential treatment in the government purchases of stores and materials. While a wide range of incentives are, thus, being provided for fostering the growth of small-scale industries, a systematic approach has yet to emerge in the sense that all the worries and problems of small entrepreneurs have still to be catered for in an integrated manner. Instances are not wanting of new entrants in the small-scale sector continuing to run from pillar to post in resolving their various problems. The advice rendered to them is invariably inadequate and many a new entrepreneur is at sea in deciding what to produce.

The most important problem of a small-scale manufacturer, thus, is the identification of the product to be produced and its marketing potential both within the country and abroad. It is encouraging to note that besides catering for the requirements of domestic consumers, small-scale industries are coming up in the export market in an increasing measure. The recent seminar organised by the National Alliance of Young Entrepreneurs, in collaboration with the union ministry of Industrial Development, on marketing services for small-scale entrepreneurs, therefore, did not come a day too soon. It, indeed, has thrown up many useful suggestions to solve the marketing problems of small-scale industries.

The seminar has stressed—and rightly—the need for the institution of marketing research and feasible studies on product or industry basis so as to enable new entrepreneurs to take up selected lines of manufacture. The emphasis apparently has to be on the production of quality goods. The seminar, therefore, has p
ted out that testing facilities should
created at convenient places with a view
improving the quality of products of
small-scale sector. Another impo
suggestion put forth by the partic
in the seminar was that joint sector
ing companies should be set up to
rate the development of small and la
scale industries on the basis of co
mentarity. The development of
units in the neighbourhood of larg
enterprises, obviously, can go a long
in providing assured markets for the p
ducts of small-scale units.

Although specific guidelines have be
laid down for this purpose in so far
public sector undertakings are concern
the progress achieved so far has left m
to be desired. The seminar pertine
noticed that ancillary units suffer fr
various disadvantages. These include n
availability of raw materials, lack
sufficient orders from parent units, in
dinate delays in the clearance of bills
absence of a proper pricing policy. S
ancillary units also do not get suffic
technical guidance from the large-s
undertakings whose requirements they
supposed to meet.

The seminar also went into the co
plaints of large-scale entreprises aga
ancillary units. The major compla
noted in this regard include the n
adherence to delivery schedules by sm
units, lack of quality control and the
dency amongst ancillary units to over
their ability to undertake precision jo

Surely, these are not the difficul
which cannot be overcome, provided
systematic approach is made to resolve
issues. The establishment of raw r
terial banks from where only tested r
materials to produce quality products
provided to ancillary units, grant of a
quate finance by banking institutions
correct assessment of the capabilities
capacities of ancillary units and such ot
measures can, indeed, help in overco
ing the difficulties faced by both the lar
scale units and their ancilliary units
mutual benefit.

The railways, the P&T workshops,
nance factories and other defence pro
tion units too can assist the developm
of ancillaries to a considerable ext
The seminar, therefore, has recommen
that these production units should
follow the directives which are applica
to the commercial undertakings of
central and the state governments. If
growth of ancillary units is to be foste
at a rapid pace, the administrative
technical set-ups at the state's level
deal with the problems of ancillaries ap
rently will have to be strengthened a g
deal. The establishment of adequ

taffed technical cells at the state's level an be helpful. For co-ordinating the activities of these cells, similar cells at the entral level in each of the union ministry which has some production units under its harge, would be a step in the right direction.

Besides the establishment of direct ancillary units to assist large-scale industrial nterprises, the system of sub-contracting of work over a wider area has to be adopted in the interest of fostering the growth of the small-scale industrial sector as whole. This system has been adopted with good success in almost all the developed countries, including the United States and Japan. A suitable amendment o the Industries (Development and Regulation) Act needs to be effected to make it obligatory on large-scale enterprises to procure a certain percentage of their requirements of components and stores from the small-scale sector either through he establishment of direct ancillary units or through sub-contracting. A systematic approach is also called for the utilisation by the small-scale sector of the waste products of larger units which they themselves may not be able to use because of heir scale of production.

In the export field, the role of small-scale units can be expanded a good deal both as units feeding the export-oriented large-scale units and as individual enterprises. In the latter case, the activities of the Trade Development Authority and the Indian Institute of Foreign Trade will have to be expanded so that these two organisations can guide small industries, after conducting proper marketing surveys, in product adaptation. Priority allocation of scarce raw materials to the small-scale exporting units can also go some way in stepping up their exports. The setting up of export houses specifically to promote the exports of small units can be another step. The allocation of some resources from the marketing development fund for assisting the small-scale sector in its export effort too can be helpful. Another important suggestion put forth by the seminar in this regard is that those small-scale units which export more than 75 per cent of their production may be granted exemption up to an amount equivalent to 30 per cent of their wage bill in calculating their income-tax liability, as unlike the capital-intensive industries, which are permitted deprecca-tion allowance, a similar facility is not available to the labour-intensive units.

Money: mirror of economy

THE EXTREMELY comfortable situation n the money market, thanks to the ailure of procurement operations of the Food Corporation of India and a contraction in advances in other directions, is proving to be highly helpful to the central nd state governments in raising large esources through open market loans. The growth in deposits of the scheduled ommercial banks has also been spectaular and in spite of a higher cash reserve atio the scheduled commercial banks are eing compelled to invest accumulating urplus resources in government securities nd treasury bills. The second tranche f the borrowing programme of the central overnment was thus a complete success otwithstanding the need of member anks to immobilise over Rs 200 crores by ay of additional cash balances with the entral banking institution. What is eally surprising is the complete repayment f loans taken by member banks from the Reserve Bank of India for complying with he higher cash reserve ratio in a short eriod. It has also been possible to invest sizeable amounts in the new central loans without being obliged to borrow even temporarily from the Reserve Bank to get over immediate difficulties. The money market has continued to be comfortable and the inter-bank call rate was quoting around 4¼ per cent immediately after the lists for the central loans were closed on July 21.

As on former occasions, the three loans had to be kept open only for a few hours on the opening day and cash and conversion subscriptions amounted to Rs 357.63 crores against the notified sum of Rs 325 crores. As the government exercised its option to accept subscriptions in excess of the stipulated figure upto 10 per cent, all applicants got full allotment. The Reserve Bank probably held the bulk of the maturing 4¼ per cent 1973 loan as conversion applications were highly gratifying at Rs 146.05 crores against the outstanding amount of Rs 159.08 crores. Net borrowing was thus Rs 198.59 crores. As in the first phase a net amount of Rs 156 crrores was mobilised, the target for the curent financial year has already been comfortably exceeded by Rs 30 crores.

It had been earlier expected that the floatation of new central loans in the middle of May, the expansion of credit for procurement purposes, the immobilisation of large cash balances of member banks and fresh issues of central loans in the third week of July would result in a squeeze in the money market. However, the diversion of nearly Rs 560 crores from the banking system in less than two and half months has not had any impact on the money market. This was because the anticipated expansion of credit for procurement purposes did not take place and there was also no large demand for funds from other directions. Indeed, there has been an assertion of slack season trends and the lending institutions would have felt embarrassed if they had no opportunity for investing surplus resources in central and state loans.

Normally, the Reserve Bank would have thought of issuing the state loans in the first week of September. If the earlier calculations of a likely squeeze had materialised, it might not have also been possible to plan boldly the terms of the state loans and raise large amounts. The actual developments, however, have come about diffierently. As the state governments have no maturing loans on the present occasion, it has been decided to complete the borrowing programme by taking advantage of the easy conditions in the money market. Once again the dearer money policy of the Reserve Bank has no significance for the privileged borrowers and twenty state governments will be raising their requirements on the same basis as in 1972. All the new loans carry interest at 5¾ per cent and mature after twelve years in 1985.

The issue prices also have been fixed uniformly at par. The last year's record for net borrowing is also proposed to be excelled with the notified amount fixed at Rs 149.75 crores. The net amount borrowed in 1972 at Rs 133 crores was by itself a record. This achievement will now be comfortably surpassed as all the loans are likely to be oversubscribed and the amount accepted will be easily Rs 165 crores. Every state will be borrowing more than it did last year, but Uttar Pradesh and Rajasthan are being helped to overcome their financial difficulties with sizeable notified amounts for their loans at Rs 26.50 crores and Rs 14.00 crores respectively. It is only to be hoped that the loan proceeds will enable many state governments to adjust their unauthorised overdrafts to a great extent and there will be considerable neutralisation of deficit financing.

With the state loans out of the way by the end of the current month the central government will have an opportunity fo reissuing the loans offered for publi subscription in July. The state electricit boards and financial corporations ar also anxious to issue bonds for large amounts and the Madhya Pradesh an Maharashtra Electricity Boards hav already made a success of their flotation

by netting in over Rs 13 crores. Even assuming that other state electricity boards and financial corporations would like to secure as their shares about Rs 100 crores through bond issues, the centre can still appropriate to itself another Rs 150 crores through open market borrowing, in the third tranche early in October. The siphoning off of Rs 250 crores in two months will not create any strain as the banking system as fresh deposits in August would take care of the needs of the state governments. A contraction in advances will also prevent any need for borrowing from the Reserve Bank. As in September-October there will be a further growth in deposits to the extent of Rs 300 crores, the loan operations of the central government and public bodies will not have any complicating effect. Actually a continuing decline in advances will result in the release of funds which may have to be temporarily invested in treasury bills.

In the light of the subsequent developments the Reserve Bank can even effect large open market sales of securities out of re-issues of loans by the central government which were taken over by it (the Reserve Bank) fully initially. In this process it may even be possible to mobilise a net amount of Rs 600 crores against the budget estimate of Rs 326.40 crores and the record of last year of Rs 478 crores. In these circumstances, there will be no excuse for the central government to indulge in indiscriminate deficit financing on the plea that large expenditure had to be incurred as a result of the implementation of the recommendations of the Pay Commission, higher defence allocations and other factors.

The developments in the money market in recent months have thus come about in a manner which is completely different from the Reserve Bank's reckoning. On present indications the next busy season also may not create any serious problems though there should be no hesitation on the part of the monetary authorities to liberalise credit curbs if as a result of an increase in agricultural production, it becomes necessary to expand credit for procurement purposes and there is also an improvement in industrial activity with a better power situation and the easier availability of raw materials and components.

Self-reliance: is it feasible?

THE CONCEPT of self-reliance as defined and elaborated in "Approach to the fifth Plan, 1974-79" by the Planning Commission in January this year, though theoretically feasible, was not likely to take concrete shape in view of the present power structure in the country and the fatal weakness of the power elite. This was the consensus of the seminar on self-reliance organised by the North India Economic Association held in Yojna Bhavan on August 19.

Professor S. Chakravarty, Member Planning Commission, who inaugurated the seminar, spelled out the implications of self-reliance which he rightly said was not a narrow problem. Self-reliance had been attained by other developing and developed countries through different means. The Nazis in Germany had succeeded in making their country self-reliant through an autarchy. South Korea had achieved the same objective through massive exports and private inflow of capital. Brazil had also become an economic power through the balance of payments approac[h]; the multinational organisations ha[d] injected huge capital with the result th[at] the economy had started booming. T[he] relevant concept was the means adopt[ed] for generating surplus for inputs.

What prevented this country fro[m] being self-reliant, according to Pro[f] Chakravarty, was its poverty i.e. lo[w] savings-income ratio necessitating inje[c]tion of foreign aid. The inadequacy [of] technology coupled with the savings an[d] trade gaps were the result of basic u[n]willingness to restructure the gross n[a]tional expenditure through appropria[te] policies. He stressed the need for a sh[ift] in favour of essential goods. He also em[]phasised that the production of steel an[d] non-ferrous metals needed to be stren[g]thened while more attention should [be] paid to the energy base which had bee[n] neglected for more than a decade. H[e] was of the view that mere manipulatio[n] of the flow of funds would not be sufficie[nt] for the attainment of self-reliance.

Dr K.S. Gill, Adviser Perspective Plan[n]ing in the Planning Commission who [was] also the President of the Association d

ned self-reliance as economic indepen-ence, implying elimination of unequal lationship between India and other untries. It meant elimination of con-ssional foreign aid. Dr Gill felt that self-liance could be meaningful only if the riod for the attainment of zero aid stage uld be reduced to between five and 10 ars. Political independence, said Dr ill, would be incomplete without econo-ic independence just as economic inde-endence was an unattainable objective ithout political independence. He was, owever, of the view that commercial d was consistent with self-reliance. Ioderate-sized credits obtained at the pre-ilent rates of interest were not inconsis-nt with the concept of self-reliance. He greed with Prof Chakravarty that an ppropriate restructuring of gross na-onal expenditure was necessary for mak-g the economy self-reliant. Because of e failure in agriculture, the country was sing whatever self-reliance it had ac-iired. He emphasised that the produc-on of fertilisers needed to be accelerated ecause it was a vital input for agriculture id its prices had risen in the world mar-ts by 30 per cent in one year. Like od, its imports were becoming difficult cause of reduced stocks in the world arkets. He also emphasised that in-tion and increasing inequalities had en-nced investment in luxury goods.

One of the papers read at the seminar ited the hypothesis if foreign aid had y ill effect on development, domestic sav-gs and capacity to raise revenue through xes. The data relating to the Indian onomy for the 20-year period ending 1970-71 showed that even though de-ndence on foreign aid had been in-easing from the third-five year Plan on-irds, it had neither retarded economic velopment nor had it discouraged do-estic savings. Also, it was found that reign aid did not deter the government om imposing fresh taxes so as to raise ditional resources. Even though this idy exploded the common myth that reign aid tended to slow down growth well as domestic savings, the partici-nts felt that self-reliance was desirable its own sake.

Another participant pointed out that the esent concern for self-reliance had been largely the result of the reduced inflow of aid. The USA and some other countries had taken a hard attitude and it was now clear that aid would not be forthcoming in the same way as in the past. But for Britain and Canada, the aid received from other countries was less than or nearly equal to repayments and interest. Aid in increasing quantities was being received from the International Development Agency — a subsidiary of the World Bank — on soft terms which was welcome be-cause it had no strings attached to it.

It was also pointed out by a participant that the expectation that exports in this country would increase by seven per cent per annum in the fifth five-year Plan period was not likely to be achieved. In the past, this country had recorded a rate of rise in exports, on the average, at 3.7 per cent per annum. The changes in the world monetary sys-tem and the rising trend in prices in the country were likely to make the exports of our country uncompetitive in the inter-national markets. Repeatedly, attention was drawn by the participants to the failure in agriculture, steel, fertilisers and non-ferrous metals and it was agreed that the government had only been giving lip service to their development.

On collaborations with foreign com-panies, the demand was made — and right-ly — by a number of participants that the government should publish the terms on which they were concluded. While on the one hand the government endorsed the policy of self-reliance, it continued re-liance on foreign collaborations — finan-cial and technical — on the other. It was this basic lack of consistency in its approach which made the economists believe that the government was not very keen on making the economy self-reliant. The suggestion was also made that mem-bers of the association should make inde-pendent studies of this problem.

An important point made by another participant was that there was great need for fuller utilisation of available capacities before soliciting additional aid because while the country went on acquiring fresh resources for setting up new capacities, it failed to make full use of the capacities already set up. There was hardly a sector in the economy where vast unutilised capa-cities did not exist.

There was a consensus that self-reliance as outlined in the third-five year Plan had received little support from policy-makers. Its failure was the result of the apathy of the decision-making system and it was felt that it was difficult to have a self-reliant economy without changing the power structure in the country. The government would however continue to repeat parrot-like its faith in making the economy self-reliant without following it up with the necessary steps for the attain-ment of this objective.

Eastern Economist 30 Years Ago

AUGUST 27, 1943

The outstanding event of the week is the announcement regarding the fixation of "ceiling" prices for "civil" cloth and yarn. Sixty per cent of mills' productive capacity is devoted to the pro-duction of "standard cloth" and war orders and the balance of 40 per cent is what is left over to the mills to provide for "civil" cloth, the prices of which are not regulated. The announcement of "ceil-ing" prices for these latter has caused bewilder-ment and indignation amongst consumers. The levels fixed are a complete victory of the textile interests. In view of the controlled rates of cotton, the rates fixed are as a sort of guaratee that the war profits will continue. To illustrate, one may take the "ceiling" price fixed for 20s yarn which is Re 1-12 per pound. Even taking the best quality of cotton from which even the most in-efficient mill in India can manufacture 24s, the cost would not work out to more than Rs 1-2 per pound. This means a profit of more than 50 per cent. If this profit is reduced to per candy of 784 lbs. for comparison with cotton, it would come to Rs 500. Thus the profits allowed are a mockery of anti-inflation drive and controlled regime. The re-action of the Stock Exchange and the firming up of the yarn and the cloth markets confirm this.

The question may be raised that the "ceiling" prices are merely the maximums. The point is that with the present statistical position, when the supply is smaller than the demand, these "ceiling" prices become the effective prices. Further, the "standard cloth" scheme is not likely to be much of a success on account of the cloth being poor and unattractive so that the demand for "civil" cloth will continue.

Human relations approach

S. K. Jain

IT WAS as a result of the reaction to F. W. Taylor and his followers' over-emphasis on mechanical and physiological character of management that the 1930's noticed stress being laid on human relations. Harvard Professor Elton Mayo and his friend, F.J. Roethlisberger, had joined in late 1920's a group which had undertaken an investigation into the effect of fatigue and improved working conditions on productivity. This investigation was conducted in the Hawthorne plant of the Western Electric Company in late 1920's and early 1930's. The investigation revealed no relationship between the improved working conditions and productivity. In fact it was noted during the course of the investigation that output continued to increase even after rest periods, provision of breakfast and other facilities were withdrawn. "Something in the nature of the Mental Revolution that F.W. Taylor had believed financial incentives would spark had occurred."[1]

upward trend

There was an upward trend in output independent of the changes in the rest periods and other improved conditions of work. Rather than give up because of the negative nature of research findings, Mayo and his associates attempted to attach new meanings to the findings. They stressed the changes in human relationships that had been introduced along with the changes in physical working conditions. Mayo drew some extremely broad conclusions from these findings. He said that work is a group activity and formation of small and spontaneous groups should be encouraged by management to make up for the damage done by specialisation and mechanisation practised in large firms.

Although Elton Mayo's name is widely associated with human relations school it would be unfair to let him or few others represent this school. Chester I. Barnard, for instance, while suggesting education for executives emphatically mentioned that "human relations are the essence of managerial, employee, public and political relations, and in most cases, these, rather than science, technology, law and finance are the central areas of the executive function."[2] Barnard's works, particularly his 'Functions of the Executive", contributed significantly to the growth of human relations school. He, like Mayo, attached considerable importance to informal organisations. Kurt Lewin, the founder of 'group dynamics' theory, also made significant contribution to the human relations concept. He worked on 'democratic' and 'authoritarian' groups and found that the former, in which there was active member participation in decision making, were more productive both of human satisfaction and of achievement of the group objectives. Mention need also be made here of the work done by the British Tavistock Institute of Human Relations in recent past.

What did Elton Mayo and all other try to do? All these human relations specialists tried to "identify some of the crucial determinants of effective collaboration, some of the reasons why attempts of people to work together end in chaos, confusion, unnecessary friction and some of the roots of many of the disturbing and disruptive aspects of our modern industrial society."[3].

productive work

Keith Davis has defined human relations as "the integration of people into a work situation that motivates them to work together productively, co-operatively, and with economic, psychological, and social satisfactions".[4] Three goals of human relations, according to Keith Davis, are (i) to get people to produce, (ii) to co-operate through mutuality of interest, and (iii) to gain satisfaction from their relationships. He pointed out that when these goals are achieved there is successful group effort.

All leaders of human relations school have attached considerable importance to participative management i.e. the conscious attempt by the management to encourage employees of an organisation to take part in the decision-making process. It has been commonly stressed that workers should not be regarded merely as 'factors of production'; they should rather be considered as participants in productivity increasing process and, therefore, they should be encouraged to share their views with and make suggestions to the management. Some people, however, question the effectiveness and importance of participative management. They are inclined to attach, as F.W. Taylor had done, greater importance to economic incentives. They argue: what is more important to workers, economic incentives or human relations?

motivational effect

W. F. Whyte points out that the issue is not one of choosing between economic incentives and human relations. "The problem is to fit economic incentives and human relations together, to integrate them."[5] If an economic incentive or bonus is offered to workers unwillingly and/or as a result of pressure exerted by workers' union or a political party or the government, such an economic incentive or bonus would hardly have any motivational effect on workers to improve their performance. If, however, an economic benefit is offered to workers willingly and in terms of a scheme evolved with their consent and participation, the same would have a far better effect on their performance. Even schemes which are mainly designed to ensure workers' welfare but introduced without seeking their participation in the designing process may fail to motivate workers to improve their productivity.

The scheme of workers' participation in management designed by the government of India and introduced in selected industrial undertakings both in the private and public sectors largely as a result of the central government's persuasion is an example. On the contrary, it may be stated that workers may welcome even such schemes or changes which they normally

resist, when the same are introduced after involving them in some way in the change-introducing process. Norman R.F. Maier has referred to many cases in which certain changes affecting production process were introduced without encountering any resistance on the part of the workers when their participation in decision-making concerning these changes was sought in advance. "In one office the problem of using a new type of business machine was introduced to employees by asking them whether they would test the machine and evaluate its effectiveness. This stimulated interest and resulted in favourable acceptance of the machine. In another office the same machine was introduced arbitrarily, and employee resistance continued for months."[6]

importance of communication

Besides the widely emphasized principle of participative management, many other related principles have been referred to by human relations experts. Dale Yoder states that "most programmes (of human relations) emphasise the importance of communication, especially listening; they stress participation as a factor in incentivation and identification and try to develop empathy and sensitivity."[7] He further points out that the human relations view emphasises the potential influence of group behaviour norms, individual job satisfaction, morale, personal identification with the organisation and its goals and changing perception of 'role' and 'status'.[8] Robert Tannenbaum has noted four current viewpoints in which human relation is regarded as: (i) a description of interpersonal behaviour, (2) a kit of tools for practitioners, (3) an ethical viewpoint or orientation, and (4) a scientific discipline.[9]

The human relations approach has been viewed by some as a technique of 'how to deal with people'. "Strong criticism has been directed at these proponents of the approach who stated 'cliches' on ways to make employees happy."[10] Critics of this approach feel that "it manipulates people and dupes them into accepting changes that really are against their best interests."[11]

A careful examination of the conclusions drawn from Hawthorne experiments by Elton Mayo and other proponents of human relations philosophy will reveal that it was never their intention to suggest the use of some 'tools' or 'techniques' for enforcing something which went against the basic interests of the workers. In fact they did not even attempt to evolve some 'scientific principles' which could be used by managers to solve all human relations problems. "Roethlisberger and some of his associates, in particular, were impressed with the complexity of human behaviour and so convinced of the 'uniqueness' of each situation, that they preferred to treat each case as one that should be examined on its own merits. Thus the 'case method' became an important feature of human relations work".[12]

The criticism should, in fact, be directed towards those persons who fail to understand the spirit behind human relations approach and who view this approach as 'a kit of tools for practitioners, rather than as an ethical viewpoint'. This approach cannot and should not ever become a 'scientific discipline'. Let this approach be confined to the domain of those well-meaning managers who seek to combine their interests with the interests of the organisation, its shareholders, its employees, its customers and the members of the society of which it is an inseparable part.

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Dry land farming in western Madhya Pradesh

J. S. Sisodi

ABOUT THREE-quarters of the cultivated area in the country raises rainfed crops. At present cropping in these dry areas offers both poor returns and great instability due to uncertain rainfall and lack of irrigation facilities. The breakthrough in agriculture, which has been achieved in irrigated and/or assured rainfall areas through the introduction of high yielding varieties and multiple cropping programme has to be transformed into a "revolution" in the seventies by concentrating attention on agriculture in dry areas. Integrated development of dry land agriculture is important both for economic and social reasons. For spreading out agricultural development widely, planning in this country is vitally concerned with dry land farming areas.

This article seeks to study (i) the extent of dry farming in Madhya Pradesh, (ii) the nature of instability of agriculture in dry areas, and (iii) the economic efficiency of dry land agriculture.

The study pertains to the Indore district of Madhya Pradesh. The district represents the typical dry land farming tract in the state. To fulfil the first and second objective, related secondary data on net area sown; irrigated area; normal annual rainfall; yield; farm harvest prices and production of important crops were obtained from the Season and Crop Reports of Madhya Pradesh.

To meet the third objective, detailed farm business firm data were obtained from a survey of dry and partial irrigated, farms undertaken during the months of May and June, 1971.

selected villages

Four villages, namely, Atavada, Neveri, Chatwada and Akasoda of Depalpur tehsil of Indore district were selected purposely. These villages are nearly 30 miles away from Indore city. In Depalpur tehsil, only 1.8 per cent of the total cropped area is under irrigation as against 4.6 per cent in Indore district. These villages have also been selected by the Agriculture Department of Madhya Pradesh for the implementation of a pilot project on development of dry land agriculture. Out of the total cropped area of 1732.24 hectares in these villages, only 34.84 hectares (2.01 per cent) were under irrigation in 1970-71. Wheat is the main crop of the tract and is grown wholly under rainfed conditions. Various programmes for agricultural development have been taken up and speeded up by the Agriculture Departments since March, 1971.

sample farms

As regards the selection of irrigated villages, four villages, namely, Dudhia, Piplyahana, Nenod and Rangwasa of Indore tehsil were purposely selected keeping in view the maximum area under irrigation in these villages. The main sources of irrigation in these villages are modern water lifting devices. The selection of cultivators from two sets of villages was done by a proper stratified random sampling method. From each village (dry and irrigated), 15 cultivators were selected at random. The study thus covers 60 cultivators each from dry and irrigated conditions. The sample farms were classified as small (below 4.45 hectares), medium (between 4.45 to 8.90 hectares) and large (above 8.90 hectares) for facilitating better comparisons between different size groups of holdings. The actual number of small, medium and large farms studied under the cotegory of dry and partial irrigated farms were in the order of 19, 16, 25 and 22, 17 and 21 respectively. The study relates to the year 1970-71.

Only seven per cent of the cultivated area is under irrigation in Madhya Pradesh, which campares unfavourably with the 28 per cent for the country as a whole. Table I gives the extent of dry land agriculture in each districts of Madhya Pradesh.

It is clear from Table I that Madhya Pradesh receives a fairly good amount of rainfall. Out of the 43 districts, there are 21 districts (Satna, Dewas, Jhuabua, Ujjain, Guna, East-Nimar, Rajgarh, Dhar, Indore, Shajapur, West-Nimar, Ratlam, Betul, Datia, Mandsaur, Bhind, M... Shivpuri, Chhatarpur, Tikamgarh ... Gwalior) which have low to medium ra... fall under 1125 mm annually. The ... maining 22 districts have the annual r... fall higher than 1125 mm. It can als... seen from Table I that, in general, the ... gated area as per cent of total cropped ... declines sharply as the total rainfall ... given place increases.

There are six districts namely, Vidi... Sidhi, Mandla, Shahdol, Surguja and R... which have even less than one per cen... area under irrigation. These distr... account for nearly 14 per cent of the t... net area sown in the state. The 12 distr... which have irrigated area between one ... three per cent are Raisen, Satna, Dew... Hoshangabad, Sagar, Bastar, Jhab... Ujjain, Raigarh, Guna, Narsinghpur ... Panna accounting for nearly 27 per cen... the total net sown area of the state. ... districts of Sehore, Jabalpur, Chh... wara, Damoh, East-Nimar, Rajgarh, D... Indore and Shajapur all have irrigated ... between three and five per cent and occ... nearly 20 per cent of the total net s... area. Thus nearly 61 per cent of the t... net sown area of the state falls in t... 27 districts which have below five per ... area under irrigation. West-Nimar, ... lam, Betul, Seoni, Datia and Durg ... tricts have the irrigated area between ... and 10 per cent and account for nearly ... per cent of the total net sown area of ... state. These districts account for nearly ... per cent of the total net sown area of ... state. It is these areas which have m... mum instability in agricultural produc... and therefore, present difficult problem...

typical tract

Indore district represents the typ... dry land farming tract in Madhya Prad... Crop farming in the district is character... by the fact that out of the total numbe... 180 months during the period of 19... to 1967-68 (15 years), 24 months or ... per cent of the total number of ... were abnormal.[1]

Nearly 83 per cent of the ab...

s were found between October and nd the remaining 17 per cent during iny season. About 46.66 per cent total number of months were drought ns at Indore during the period of 15

out 25 per cent of the total number onths from June to October were ht months, the percentage distribu- of which reveals that the drought ntrated generally in the month of ber. Drought during the month of ber adversely affects the Rabi crops. g the Rabi season (October to Febru- out of 75 months, 42 months (56 per were drought months. This is the reason for the failure of Rabi crops r dry farming conditions.

e striking feature of agriculture in arming areas is the wide fluctuations e yield of principal crops leading to a degree of instability to the economy e region. The variations in the physi- ields and in farm harvest prices lead uctuations in gross returns to the farm principal crops. Table II shows variations in regard to jowar, maize, at and gram. These crops taken to- er occupied nearly 62 per cent of the ped area of Indore district.

he variations are, by and large, much er in crop yields than in prices. Conse- tly yield variability plays a decisive in income instability. Unless the l fluctuations are reduced, it is impossi- to plan any development programme reas of dry land agriculture.

asure of efficiency

he efficiency in agriculture of a given on can be measured by three ways; ield per hectare of principal crops; net profits and input-output ratios; (iii) gross and net productivity of la- r.

crude and approximate measure of iency in agriculture is the yield per are. Table III gives the average yield our important crops, viz. wheat, gram, ar and maize grown on sample farms. se crops taken together occupied nearly per cent of the cropped area on dry ns and 63 per cent on the partial irri- d farms.

he yield in respect of all important ps is higher on the partial irrigated ns than on dry farms. However, the ent of this increase is not the same in crops. It varies from 82.2 per cent owar to 322.3 per cent in wheat.

s regards individual crops, the yield of wheat is 2,609 kg per hectare on partial irrigated farms as compared to only 618 kg per hectare on dry farms—a difference of 1991 kg per hectare or 322.3 per cent over that on dry farms. In jowar, the yield is 563 kg per hectare on partial irrigated farms as compared to 309 kg per hectare on dry farms, showing a difference of 254 kg per hectare or of 82.2 per cent in favour of partial irrigated farms. The yield of gram is calculated to be 1072 kg per hectare on partial irrigated farms as against 351 kg per hectare on dry farms giving a difference of 721 kg per hectare or about 205.4 per cent in favour of partial irrigated farms. As regards maize, the yield per hectare works out at 1470 kg per hectare on partial irrigated farms and 541 kg per hectare on dry farms. In other words, the yield per hectare is more by 929 kg per hectare or by 171.7 per cent in the partial irrigated farms as compared to that reported in the dry farms.

farm returns

A more satisfactory measure would be either the net income (after imputing costs to all the resources, fixed and variable, used in production) of the holdings or the farms business income (in which case, broadly speaking, only variable costs are taken into account). Table IV shows the per farm as well as the per hectare returns[2] where returns themselves are of three types; (i) gross output; (ii) net farm business income; and (iii) net profits.

A close examination of part A of Table IV reveals that as size of farm expands per farm gross output, farm business income and net profits all increase in the two farming situations.

On an average, the per hectare gross output works out to Rs 1,556 on partial irrigated farms as compared to only Rs 353 per hectare on dry farms, a difference of Rs 1,202 per hectare or nearly five times over that on dry farms. The farm business income is Rs 1,067 per hectare on partial irrigated farms as compared to Rs 201 per hectare on dry farms showing a difference of Rs 866 per hectare. A close look at Table IV further reveals that dry farms incurred a loss of Rs 155 per hectare (net profits per hectare on all sizes of dry farms have shown negative signs) while the partial irrigated farms, on an average, get a net profit to the tune of Rs 495 per hectare.

After having examined the variations in returns per hectare on dry and partial irrigated farms, it is necessary to have a

TABLE I

Percentage Irrigated Area and Normal Annual Rainfall in Districts of Madhya Pradesh.

District	Irrigated area as % of total cropped area	Normal annual rainfall (mm)
1 Per cent		
1. Vidisha	0.4	1133.8
2. Sidhi	0.5	1248.3
3. Mandla	0.5	1224.5
4. Shahdol	0.7	1396.8
5. Surguja	0.8	1493.2
6. Rewa	0.9	1235.6
1 to 3 per cent		
1. Raisen	1.1	1330.4
2. Satna	1.3	1099.9
3. Dewas	1.6	1083.2
4. Hoshangabad	1.7	1294.5
5. Sagar	1.7	1235.0
6. Bastar	1.7	1532.2
7. Jhabua	2.1	828.0
8. Ujjain	2.2	892.2
9. Raigarh	2.4	1619.7
10. Guna	2.7	1053.5
11. Narsinghpur	2.8	1300.8
12. Panna	2.9	1176.4
3 to 5 per cent		
1. Sehore	3.1	1244.8
2. Jabalpur	3.2	1274.1
3. Chhindwara	3.8	1324.0
4. Damoh	3.8	1569.6
5. East-Nimar	4.0	880.0
6. Raigarh	4.2	1100.8
7. Dhar	4.4	833.1
8. Indore	4.6	974.9
9. Shajapur	4.9	977.2
5 to 10 per cent		
1. West-Nimar	5.0	831.5
2. Ratlam	5.5	895.9
3. Betul	6.3	1083.9
4. Seoni	6.5	1384.5
5. Datia	7.5	739.9
6. Durg	9.6	1270.1
10 to 20 per cent		
1. Mandsaur	10.3	824.5
2. Bhind	11.7	668.3
3. Morena	13.3	720.0
4. Bilaspur	14.5	1391.7
5. Shivpuri	15.8	816.3
6. Chhatarpur	16.9	1074.9
7. Raipur	18.6	1384.9
20 per cent and above		
1. Tikamgarh	25.6	1001.1
2. Balaghat	27.9	1623.2
3. Gwalior	28.0	751.2
Madhya Pradesh	6.8	1135.3

look at input-output ratios as given in Table V.

Table V clearly suggests that on the basis of Cost A_2 the return on resources is comparatively high (2.01) in the case of partial irrigated farms than on dry farms (1.32). The input-output ratio worked out on the basis of Cost C indicates that in dry farms, for, investment of a rupee, the farmer gets only 68 paise (32 paise loss), while for one unit of input, the output on partial irrigated farms is Rs 1.47. With regard to its variations among different size groups of holdings, it is seen that the small farmers have comparatively low return on resources on the basis of Cost A_2 on two sets of farms. No definite trend is, however, seen between the input-output ratio worked out on the basis of Cost Con partial irrigated farms.

The gross productivity per productive man-work day of eight hours unit has been calculated by dividing the gross output by the total number of productive man-work days. The net labour productivity per man-day is equal to total value of output minus all costs other than labour divided by man-days of family and hired labour. The relevant figures for gross and net productivity of labour are presented in Table VI.

From the data given in Table VI, it is clear that gross productivity per work-day, on the average, amounts to Rs 11.04 and Rs 21.24 on dry and partial irrigated farms respectively which is too high as against the wage rate prevalent in the tract. In regard to various size groups of holdings, it is found that productivity per man-work day is distinctly higher on large farms than the small ones in dry farming conditions. On the contrary, the gross productivity of labour is found higher on small-farms being Rs 22.86 as against Rs 21.70 on large farms under irrigated conditions. As regards the net productivity of labour, all size group dry farms have shown negative signs. T difference in gross and net producti

TABLE III

Yield of Principal Crops on Dry and Partially Irrigated Farms

(in kg per hecta

Crop	Dry Farms				Partial Irrigated Farms			
	Small	Medium	Large	Overall	Small	Medium	Large	Ov all
Wheat	880	512	467	618	2686	2083	3007	[illegible]
Jowar	309	334	287	309	699	262	729	[illegible]
Gram	358	343	363	351	1270	1137	806	[illegible]
Maize	509	789	324	541	1525	1016	1876	[illegible]

TABLE V

Per Hectare Input-Output Ratios on Dry and Partial Irrigated Farms

Size of farm	Gross income in Rs	Cost A_2 in Rs	Input-output ratio on basis of Cost A_2	Cost C in Rs	Input-output ratio on the basis of Cost C
	Dry Farms				
Small	585.82	451.30	1.30	737.05	[illegible]
Medium	344.97	319.39	1.08	567.09	[illegible]
Large	307.26	216.81	1.42	446.95	[illegible]
All farms	335.25	253.07	1.32	490.59	[illegible]
	Partial Irrigated Farms				
Small	2521.43	1264.51	1.99	1620.82	[illegible]
Medium	1996.40	892.83	2.24	1229.97	[illegible]
Large	1274.54	657.81	1.94	920.73	[illegible]
All farms	1555.48	772.14	2.01	1058.32	[illegible]

TABLE II

Percentage Change over the Previous Years

Year	Jowar			Maize			Wheat			Gram		
	Yield	Farm harvest prices	Gross return	Yield	Farm harvest prices	Gross return	Yield	Farm harvest prices	Gross return	Yield	Farm harvest prices	Gross return
1959-60	20.97	9.45	31.38	11.76	8.90	15.40	—45.44	—18.69	50.94	6.15	—36.11	[illegible]
1960-61	87.50	—5.27	151.98	23.16	—12.40	20.92	—3.12	8.76	—8.92	—15.22	26.48	[illegible]
1961-62	—52.98	—2.50	—58.20	—24.66	—16.13	—37.69	60.82	12.82	62.91	—9.69	—0.33	[illegible]
1962-63	60.70	—6.79	60.20	9.07	18.47	52.84	23.64	—8.91	27.27	24.29	13.85	[illegible]
1963-64	—29.90	7.25	—41.80	16.44	5.74	13.15	—23.24	9.73	—4.09	—2.28	44.76	[illegible]
1964-65	45.40	19.54	150.72	19.91	23.16	43.20	—8.43	20.52	14.07	—0.26	—6.86	[illegible]
1965-66	1.62	15.98	13.65	—17.35	34.61	33.20	—33.26	—1.80	—46.96	—2.86	18.39	[illegible]
1966-67	1.48	18.57	51.87	4.65	24.36	96.97	52.04	18.92	62.47	—2.78	3.01	[illegible]
1967-68	14.90	43.34	42.92	9.60	0.78	8.63	20.62	33.33	90.98	—18.49	24.10	[illegible]
1968-69	—20.67	15.25	—9.53	—21.96	0.68	—29.88	10.60	1.02	23.83	27.48	5.84	[illegible]

labour is quite substantial in the two s of farms.

Madhya Pradesh represent the typical y-land farming tract in India. Agricul-re in dry areas presents the twin prob-ns of low productivity and instability. put-output ratio worked out on the basis total cost suggests that dry farms are nning in loss. In order to stabilise riculture in such areas, it will be neces-ry to provide an assured availability of ater.

knowledgement

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eferences :

(1) "Characteristics of Rainfall in Madhya radesh" by the author; yet unpublished. Rain-ll data of Indore, Jabalpur, Raipur, Sagar and ast-Nimar for 59 years were analysed for variabi-y of annual and monthly rainfall, its trend, an-ial and monthly distribution, rainy days, inci-nce of abnormal and drought months.

(2) The definition of costs and returns used in e farm management studies are similar to those in the present work. The costs have been classified into the following four groups:—

A_1 Cost:

(1) Maintenace cost of draught animals.
(2) Expenses in hiring draught animal services.
(3) Irrigation charges.
(4) Labour charges paid.
(5) Seed.
(6) Fertilizers.
(7) Pesticides.
(8) Farm yard manure.
(9) Repairs, maintenance and depreciation of tools and implements.
(10) Land revenue.
(11) Miscellaneous expenses.

A_2 Cost: A_1 cost plus rent paid on leased-in land.
B Cost: A_2 cost plus rental value of land.
C Cost: B cost plus interest at the rate of 3 per cent on capital invested on tools, implements; live stocks and imputed labour charges on family labour.

TABLE VI

Gross and Net Productivity per Productive Man-work Day

Size of farm	Gross productivity (Rs)		Net productvity (Rs)	
	Dry farms	Partial irrigated farms	Dry farms	Partial irrigated farms
Small	10.81	22.86	—0.23	10.65
Medium	10.58	19.27	—4.32	9.46
Large	11.22	21.70	—2.56	8.55
All farms	11.04	21.24	—2.58	9.16

TABLE IV

Returns and Costs per Farm and per Hectare on Dry and Partially Irrigated Farms

(in Rs)

Size of Farm	Per Farm Returns and Costs(A)					Per Hectare Returns and Costs (B)				
	Gross output	Paid out cost	Farm business income (Col. 2—3)	Retained cost	Net profit (Col. 2—3+5)	Gross output	Paid out cost	Farm busi ness income (Col. 7—8)	Retained cost	Net profit (Col. 7—8+10)
1	2	3	4	5	6	7	8	9	10	11
A—Dry Farms										
mall	1323.9	419.8	904.1	1245.9	—341.8	585.9	185.8	400.1	551.3	—151.2
Medium	2172.2	1041.9	1130.3	2529.1	—1398.8	345.0	165.6	179.4	401.6	—222.2
arge	5152.6	2032.1	3119.5	5463.1	2342.6	307.2	121.1	186.1	325.7	—139.6
ll farms	3145.4	1257.5	1817.9	3345.2	—1457.3	335.3	133.9	201.4	356.6	—155.2
B—Partial Irrigated Farms										
mall	6814.7	2152.3	4662.4	2228.3	2234.1	2521.5	796.4	1725.1	824.6	900.5
Medium	11779.1	3354.0	8425.1	3903.1	4522.0	1996.4	568.4	1428.0	661.5	766.5
arge	21961.2	7153.0	14808.2	8711.7	6096.5	1274.6	415.1	859.5	505.6	353.9
ll Farms	13522.6	4243.0	9279.6	4972.0	4307.6	1555.6	488.0	1067.6	572.1	495.

Tractor industry: removal of constraints vital

H. P. Nanda

In a little over two decades of planning, the Indian rural scene has witnessed unprecedented changes. The traditional subsistence agriculture based on slow moving bullocks and primitive tools has yielded place to a modern commercialised agricultural economy where the new production technology and the emerging scientific attitude to farming have given a powerful impetus to the pace of agricultural development in the country.

Today, tractors and a host of farm machinery have become symbolic of progressive farming in the country. They are the prime mover behind the transition from the level of subsistence farming to that of commercial agriculture. Tractors are a vital source of farm power which is unquestionably the foremost requirement for achieving higher agricultural productivity. In fact the productive utilisation of all other resources presupposes the availability of an optimum level of power for the land. Yet the estimated power availability of barely 0.4 HP per hectare (taking into account both mechanical and animal power) is far below the optimum level of 1 HP per hectare. A survey of trends in farm mechanisation the world over reveals that the use of tractor per hectare in India is disappointingly poor as compared to that in countries far smaller in size such as Japan, South Korea and Taiwan.

poor comparison

The survey shows that farm workers supported per crop hectare in India as well as the productivity per acre compares poorly with corresponding figures for these countries. The dearth of farm power in India was highlighted by the fourth Plan working group on agricultural machinery which observed that lack of power proved a major bottleneck in raising total agricultural production and the area under multiple-cropping.

These finding emphasize an inescapable fact—namely the imperative need for stepping up the application of mechanical power on our farms. In other words increased tractorisation is prime requisite for resuscitating Indian agriculture.

The Indian tractor industry has made remarkable progress since its humble beginnings in the early sixties. In 1961-62 there were four established manufacturers with a licensed capacity of 10,000 units a year that produced 800 units. In less than a decade, production rose markedly—the number of units having risen to 20,084 in 1970. The present total indigenous production is estimated to be 20,280 units, with seven out of the 17 licensed units under production. Two more units, one in Nasik and another in Poona are expected to start production by year-end. With the commissioning of these units, it is expected that production would reach a level of 50,000 units. The total licensed capacity is put at 147,000 units a year. Letters of intent have also been given to various parties for the manufacture of over 100,000 units a year.

monthly average

On an average, the established tractor manufacturers including Hindustan Machine Tools, produce and deliver nearly 4,000 units a month. Provided the power situation does not deteriorate further and there is no shortage of ancillaries and other vital components, the production is estimated to average 5,000 units a month by year-end. The industry has achieved over 80 per cent indigenisation.

Leading tractor manufacturers like Escorts, Massey Ferguson, International Tractors and Eicher have developed specialised skills and expertise under a programme of progressive indigenisation bringing in its wake an appreciable increase in indigenous content and know-how.

Thus, both in respect of size and technical capability, the indigenous tractor industry is fully geared to meet the country's requirements.

What is the projected demand for tractors? A recent study undertaken by the National Council of Appled Economic Research estimates a demand of 35,400 units in 1973-74 rising to approximately 80,000 units by 1979-80. As against this a capacity to produce 147,000 units has already been licensed, the existing installed capacity being approximately 47,000 units. Assuming that the sanctioned capacity is fully utilised, the supply of tractors produced in the country should exceed 100,000 units, to which have to be added thousands of imported brands awaiting orders with the agro-industries corportions (the total number of imported tractors in the country is placed at around 77,142 units).

huge inventory

Thus, the liberal licensing of new units plus the heavy influx of imported tractors over a period of a little more than a decade has saddled the industry with a huge inventory of over 10,000 units (including the imported brands with state agro industries corporations). It is the imbalance in supply and demand for tractors that lies at the root of the crisis that has gripped the industry. At the outset, the glut in tractors has been the outcome of the government's generous licensing policy based on inflated demand estimates worked out from registrations with dealers and agro-industries corporations, most of which were made for purposes of retrading (particularly in the case of brands that commanded a high premium), thus representing a misleading demand picture.

The industry has had to contend with a combination of adverse factors and circumstances. While the unending flow of imports and the additions to the existing manufacturing capacity year after year (justified on the basis of an inflated demand estimate), and a lagging demand (in the wake of exhorbitant excise levies on built-up tractors, customs duty on imported parts and components, and a dearth of credit availability for the purchase of indigenous makes) served to depress the

narket for indigenous tractors, the high cost structure resulting from increased costs of raw materials (which includes the custom levy on imported components) and the shortage of critical ancillary items and imported spares as also rigid price controls compelled tractor manufacturers to restrict production and operate on an uneconomic scale of production, The impact of these constraints in terms of under-utilisation of capacity and a marked decline in profits was evident from a study on the tractor industry undertaken by the *Economtc Times* Research Bureau in 1970. According to it, the industry utilised 78 per cent of its sanctioned capacity in 1970 and 57 per cent in 1971—when this had been raised by 7,200 units. Profits had fallen to a limit considerably lower than the average in the industry as a whole—while the gross return on net sales and total capital employed was only 6 per cent, net return on owned funds was negative at 8.2 per cent.

several impediments

While the government's recent announcement that built-up tractor will not be imported either under World Bank loan or from the rupee trading countries, as also the liberal and expeditious availability of bank credit to the farmer have had the effect of boosting the demand of tractors, the industry continues to be beset with several impediments that have hamstrung its growth and severely curtailed its capacity to realise its true potential.

To begin with the non-availability of vital components and raw materials such as certain categories of steel, pistons, rings and liners, thin-walled bearings and some fuel injection items as also fuel and lubricants of the desired quantity and quality have impeded production in the industry. The shortage of raw materials has been accentuated by the prevailing power crisis bringing production of these ancillary items almost to a standstill. The fact that some ancillary producers enjoy a virtual monopoly over certain parts, places tractor manufacturers in a difficult position in that any disruption in their production either due to actual power shortage or labour trouble is reflected in the production of tractors downstream. A major bottleneck in tractor production has been the shortage of steel—it has been estimated that well over a thousand kg of steel is required per tractor. Moreover, the sharp rise in international steel prices over the last three years had led to a corresponding increase in the cost of imported packs, which at present constitutes about 15 per cent of the total cost of indigenous tractors, leaving manufacturers with no alternative except to absorb this additional burden at the cost of reduced profit margins.

Keeping in view the steep rise in production costs not to speak of the heavy investments incurred on research and development by the industry, the low rate of return permissible under the existing price formula is positive disincentive to manufacturers who have deployed their resources and skills in the development of indigenous know-how. Yet another anomaly of the pricing formula is the in-built deterront to tractor manufacturers to buy components (finished and semi-finished) from ancillary units. This is implicit in the provision that the net return allowed to them is computed on the basis of their total assets. Surprisingly, while price controls are clamped on tractors, prices of raw material and components, remain outside the ambit of such regulation.

vital input

Though widely acknowledged as a farm input vital to mechanisation, tractors have been subjected to a pernicious dose of multiple taxation—the Indian farmer today bears a tax burden of up to 32 per cent on the retail prices of tractors. Notified prices of indigenous tractor, varying from Rs 25,200 for 30-35 HP tractor to Rs 36,600 for 46-50 HP include an impost of 32½ per cent, customs duty on the imported components, 2½ per cent regulatory duty and a 10 per cent excise duty amounting to over 45 per cent of the total cost of a tractor. To top it all the hapless farmer has to pay central and state sales taxes of three per cent and up to nine per cent respectively. Viewed in the perspective of the government's commitment to step up] the pace of farm mechanisation this is a pathetic revelation.

It is significant that the section of farmers affected most by the incidence of these exhorbitant levies is not the affluent big farmers but the small and medium farmers that constitute the bulk of India's farm population. Unable to afford heavy investments on such farm inputs, they are perforce drriven to borrow funds from commercial banks, land mortgage banks and cooperative banks. The extra burden of interest payment on loans consequent to the higher prices of indigenous tractors only serves to worsen the plight of the farmers by further straining their slenc resources.

A major factor affecting demand f indigenous tractors has been the stringe credit conditions and the conseque dearth of bank credit for their purchas Prompt and easy availability of credit prospective buyers of tractors are an ir portant determinant of tractor sales—bar credit being the most common mode purchase. Projections for credit requir ments worked out by the National Counc of Applied Economic Research on th basis of projected demand for tracto underline the need for a substanti increase in the availability of credit to th average farmer whose capacity for cas generation is extremely limited. Yet th existing framework of rules and proce dures governing loan advances to pro pective buyers of tractor are to say th least cumbersome and inhibitive. O loans from commercial banks for whic the payment period varies from three t five years (as against seven years in th case of cooperative banks) farmers a required to arrange for margin money t the extent of 25 per cent. What is mor these loans have to be backed by guarr tors as per bank rules—(condition whic most farmers are barely in a position t fulfil. Worse still, many banks have im posed an arbitrary limit of Rs 20,000 o the maximum loans permissible to tracto buyers, which is far below the minimur requirement for buying a tractor.

peculiar needs

An encumbrance is the provision requi ing mortgage of land for the loan perioc Besides being time-consuming this highly discriminatory to the small farme Above all, it overlooks the peculiar need of the emerging class of taxi farmers, i. farmers who hire out tractors to supple ment their income derived from their ow farms. In fairness to such farmers must be conceded that their incomes an thus their ability to repay loans bears n relation to the extent of land they own As such ownership of land can no longe be an acceptable criterion of a farmer ability to pay. Recent surveys show th in states such as Punjab, Haryana, U AP, Bengal, Assam and Maharashtr banks barely meet more than 50 per ce of the total credit requirement.

The tractor industry has for lo laboured under the stranglehold of i some fetters that have seriously imped its growth and expansion. To pull

dustry out of its present plight and give the impetus to develop on healthy lines calls for a series of measures over a wide front. Some of these are :

1. First and foremost, the government must take the firm and final decision to completely ban the import of tractors. As an initial step the assembling of tractors with more than 50 per cent imported components should be prohibited.

economic considerations

2. Indiscriminate licensing of indigenous capacity bringing in the market a variety of makes must be ended forthwith. Licensing of new units should be based on strictly economic considerations such as existing production capacity vis-a-vis projected demand, availability of manufacturing and testing facilities with prospective licensees as also arrangements for servicing tractors delivered to the farmers. Such regulated licensing would enable better utilisation of existing capacity and also productive use of servicing and maintenance facilities available.

3. The grant of licences to established manufacturers for import of capital equipment, components and replacement parts should be expeditious. They should be exempted from restrictions evident in the government's import policy. Adequate quantities of steel and other bottleneck parts worked out on the basis of projected demand for tractors in 1973-74 should be assured to the industry at international prices. Preferably a special import quota for certain categories of steel, could be introduced.

4. The exhorbitant levies on tractors (inclusive of excise levy on built-up tractors and customs levies on imported parts and components) must be substantially reduced if not altogether removed. In addition, the wide variations in sales taxes on farm equipment including tractors from state to state must be replaced by a more rational tax structure which provides for a uniform rate applicable in all the states. It may be added that special incentives such as tax rebates for the purchase of tractors and farm machinery could be offered for the benefit of a large body of small and medium farmers.

This would be in accord with the practice of governments the world over particularly in Japan and Australia, often quoted as examples of progressive farming—where special incentives are given to farmers for purchasing machinery and other inputs towards modernising their farms.

5. The conditions and procedures for the grant of a bank loans to tractor operators must be simplified and liberalised. In the first place, the down payment of 25 per cent—which is far too stringent a requirement for the majority of farmers—should be reduced to 10 per cent or at the most 15 per cent. This should cover the risk and resale value of any tractor on the market today. Secondly, preferential interest rates should be charged uniformly by all banks. Allowing a nominal subsidy on normal interest as recommended for agro service centres merits consideration. Thirdly, the repayment period should be extended and standardised for all financing institutions. Finally, the mortgage of land and the minimum land requirement should be excluded from the eligibility criteria for advancing loans as this would be discriminatory against small farmers and the emerging class of "taxi farmers". Also, the conditions of providing guarantors should be completely waived by banks as most loan applicants are in no position to provide the same.

trained cadre

6. Positive steps must be taken towards building up a cadre of trained operators and mechanics, who could effectively cater for the servicing, operational and maintenance requirement of the growing tractor population—estimated at 60,000 units by 1976-77. This will necessitate formation of an extensive training programme involving the participation of the government, the industry and the agricultural universities.

While a categorical official annoucement banning all import of tractors is eagerly awaited, the estimated growth in demand for indigenous tractors holds out encouraging prospects for the industry. The market for higher horse power tractors is expected to grow as farmers are convinced more than ever before that by ensuring better land preparation and more precise and timely agricultural operations, these tractors can contribute to significant increases in yields. The use of tractors for custom work and the arduous conditions of work in sugarcane cultivation etc. favour a growing preference for high horse-power tractors. The need to fill the gap in drawn horse power following substantial cattle losses and the government's schemes towards the promotion of greater farm mechanisation favour an uptrend in the demand for indigenous tractors.

The impending challenge of demand brings to the fore the importance of eliminating constraints in the way of increased production and extending all possible encouragement and assistance to tractor manufacturers as would enable them to utilise their expertise and capacity to maximum advantage.

Above all, in the context of agriculture assuming top priority in the fifth Plan, the need for a fresh approach to the problems of an industry which besides being crucial to achieve a breakthrough in agriculture, provides direct employment to nearly 40,000 people in addition to opening up manifold employment avenues in ancillary industries etc, is unexceptionable.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

NEW DELHI, Saturday

HIGHLY critical debate in the Lok ha on the report of the third Pay Comsion was the highlight of the proceed- in Parliament this week.

he participants in the debate, particu- from the opposition benches, gene- expressed the view that the minim wage of Rs 185 per month suggested the third Pay Commission was hardly d based. It, therefore, needed to be ped up. The Jana Sangh leader, Mr . Vajpayee, and a CPI member, Mr I. Bannerjee, recalling the recommenda- of the 15th Indian Labour Conference a minimum wage of Rs 314 per month, stioned the basis of the Pay Commis- n's suggestion. Mr A. P. Sharma ngress) wanted a compromise to be cted between the minimum wage re- mended by the Indian Labour Confe- ce and that suggested by the Pay Com- ssion.

arness allowance

Another important point made in the ate was that dearness allowance should directly linked to cost of living as prices re rising rapidly. The need for estab- ing parity in pay scales between the ployees performing similar duties and ctions was stressed by many. It was o pleaded that the current wide dis- ity between the minimum and the ximum emoluments of government ployees should be reduced.

Several members called for an expediti- evolving of national policy on in- nes and prices. The "generous" in- ases recommended by the Pay Com- ssion for those in the higher salary ckets came in for sharp criticism from ne members, particularly Mr Madhu naye (Socialist). The cause of scientists technologists for a parity between ir emoluments and those of IAS officers s championed, among others, by the 1K spokesman, Mr Era Sezhiyan.

Replying to the debate, the minister for ance, Mr Y. B. Chavan, expressed con- ence that a decision on the third Pay mmission's recommendations would be en shortly with constructive co-opera- n of all". He assured members that all the constructive suggestions made by them would be taken into account before arriving at the decision. He urged the House not to take "a partisan, political or negative position" in finding a solution to this difficult issue. He defended the institution of joint consultative machinery for the redressal of the grievances of government employees, but agreed that the system needed to be improved.

The Speaker of the Lok Sabha, Mr G.S. Dhillon, announced during this debate that he had set up a six-member committee under the chairmanship of Mr K.N. Tiwari, Chairman of Estimates Committee, to go into the pay structure of the officers and staff of the two secretariats of Parliament, whose conditions of service were not covered by the third Pay Commission. Besides Mr Tiwari, the other members of the committee, he said, would be, Mr Y. B. Chavan, Mr K. Raghuramiah, minister of Parliamentary Affairs, Mr Jyotirmoy Bosu, Chairman of the Public Accounts Committee, Mr J. L. Hathi and Mr Mahavir Tyagi. Both the secretaries of the Lok Sabha and the Rajya Sabha would be associated with the committee. The committee has been asked to make its recommendations as early as possible.

basic ingredients

The minister for Information and Broadcasting, Mr I. K. Gujral, listed in the Lok Sabha this week three basic ingredients of the proposed new set-up which the government was keen to evolve in respect of the ownership of newspapers. While, seeking to de-link press ownershp from big money, the government, he said, wanted to ensure that freedom of the press was protected from both government and industrial interests. The government was also keen to see that money did not flow into the press in benami either from political parties or from foreign powers. The third ingredient which he listed was that a viable financial set-up of the press was desired so that newspapers could be run efficiently without fear of being sunk.

Replying to a calling attention notice in the Rajya Sabha on the retrenchment of a substantial number of working journalists by three newspaper establishments as a result of 30 per cent cut in their newsprint quota, the deputy minister for Information and Broadcasting, Mr Dharamvir Sinha, observed that the matter had been taken up with the department of Labour and Employment and the state governments concerned. Mr Gujral asserted during this discussion that the government was opposed to any unilateral increase in the prices of newspapers as a result of the reduced allocation of newsprint.

employees provident fund

The Lok Sabha this week adopted a bill to tighten the penal provisions of the Employees Provident Fund Act. The amending bill provided for compulsory imprisonment in case of non-payment by employers of their provident fund contributions and administrative or inspection charges. By another clause, the bill sought to make any amount due from an employer in respect of an employee's contribution deducted from his wages for a period of more than six months as the first charge on the assets of an establishment at the time it is wound up. The bill was welcomed by all those who participated in the discussion on it. Some members, however, thought that even the revised penal provisions were not stringent enough. In his reply to the debate, the minister for Labour, Mr K.V. Raghunatha Reddy, promised to bring forward at "an appropriate time" a more comprehensive legislation covering all the aspects of the provident fund scheme.

The Rajya Sabha approved this week an amendment to the Bonus Act to the effect that the statutory minimum bonus this year would be 8.33 per cent of an employee's wages, as was the case last year.

The following important information was provided in the two Houses by various ministers:

(1) The Hindustan Steel Limited suffered a loss of about Rs 26.6 crores in 1972-73, although its overall production registered some improvement. Part of the loss is attributed to the two plants at Durgapur continuing to operate much

below their installed capacities. Another important reason was increased costs owing to reasons beyond the control of management and which are not covered by price adjustments. The cumulative loss up to 1972-73 amounts to Rs 151.188 crores in the case of Durgapur steelworks, Rs 36.221 crores for the Durgapur alloy steel plant, Rs 27.697 crores in the case of Rourkela and Rs 13.129 crores for Bhilai.

(2) The government is studying the feasibility of establishing captive power plants for all the steel undertakings in the public sector.

(3) The value of the rupee, as measured by the all-India index of consumer prices for industrial workers (1960=100), declined by 47.82 per cent between 1962-63 and 1972-73—from 92.59 paise to 48.31 paise.

(4) India has so far given Rs 210 crores as aid to Bangladesh in the form of grants and loans.

(5) The government of India has welcomed the desire of the US government to discuss the basis of a new economic relationship between the two countries.

(6) The government is considering the formulation of a new pricing policy for industrial products. A new pricing policy is considered essential because under the existing formula, the government has to recalculate the cost of production every six months. As the existing method is based on cost of production, the industrialists can go to courts, thus making the entire pricing system cumbersome.

(7) The government has rejected an application for the renewal of foreign collaboration by Firestone Rubber Co. (Pvt.) Ltd, Bombay, as this concern is 100 per cent foreign owned and has no expansion plans at present. The applications of Goodyear, Ceat Tyres and Dunlop for the extension of their collaboration arrangements by five years on certain conditions have been approved.

(8) The import bill for the current financial year is likely to go up, as compared to last year, by about Rs 600-700 crores.

(9) The annual loss of foreign exchange due to smuggling is estimated between Rs 160 crores and Rs 170 crores.

(10) About 20,000 tonnes of rubber are expected to be exported in future. The government is considering a proposal for increasing the subsidy for replantation for small rubber estates.

(11) Hawkers Siddeley Aviation Limited, Britain, is continuing talks with Indian Airlines on the desirability of adopting the water-methanol injection method for HS-748 (Avro) engines. This method has been recommended by the British company for removing heating and other problems of the Avro engine after tests recently. The recommendation, however, is not acceptable to Indian Airlines because it thinks that this would reduce the life of the engine.

(12) A technical committee has been constituted to look after the causes of low production at the antibiotics plant at Rishikesh and to suggest remedial measures.

(13) India has agreed to undertake, in association with the experts of the Nepal government, the survey and construction of the 300 Km, long Kathmandu-Dhankuta road. The survey is expected to be completed by the end of 1975. Soon after the project report is ready, actual construction would start. The project is estimated to cost about Rs 35 crores.

(14) The annual allocation for the current year's housing programme for government employees has been reduced from Rs 9.66 crores to Rs 5.27 crores. The government has, therefore, decided not to proceed with any new works until further orders and also to suspend all construction works which have not progressed beyond the plinth level.

(15) Over 1.42 lakhs villages have been electrified in the country since the inception of the rural electrification programme.

Vheat prices skyrocket

John Holway
Washington

RED on by heavy export buying — robably by strong speculative buying ll—wheat prices broke the record at hicago market place again on August ey reached 4.24 dollars a bushel (157 rs a metric ton), highest ever in the ear history of the exchange, and more double the highest price of a year

e US government officials concede this is more bad news for the infla- plagued US consumer, but at the time they insist that there are no nt plans to impose export controls. n also reached a record 3.00 dollars a el — 120 dollars a metric ton — to the record, and oats are fast app- ning their historic high).

heat bidding has become so frantic in recent past that only the ten-cents-a- limit on increases has held it down. e. unofficial estimates say it could n as high as 6.00 dollars a bushel dollars a tonne) by the end of the

VINDOW ON
HE WORLD

th. Exporters have already bought 29 million tonnes, over 60 per cent e total anticipated production for the which began on July 1.

us the supply and demand picture for t looks like this:

	1972-73	1973-74 (Anticipated)
-in	23.5	11.6
uction	42.0	47.6
supplies	65.6	59.3
se	21.7	21.2
ts	32.3	30.0
consumption	54.0	51.2
-out	11.6	8.1

pplies includes minor quantities of ports

Total production for 1973-74 is expected to break all records, a full 13 per cent above last year's production. The projected record production figures are probably pretty close to accurate, in spite of an unusually dry summer in the northern plains states of Montana and North and South Dakota. Most of the year's crop—about 75 per cent of it — has already been harvested in the form of winter wheat, which came to harvest this spring and early summer. The spring wheat harvest is beginning now in many states.

However, total supplies are down. This is because last year's unusually heavy purchases — by the Soviet Union and others —took such a big bite out of the reserves or "carry-in".

Where will the production go?

The United States is expected to consume about 21 million tonnes, about the same as last year. Farmers are saving a little more than usual for seed to increase the crop to still higher records for next year. But they are feeding less to livestock. Meanwhile, the US population tends to consume less wheat per capita in spite of rising population and rising affluence. As incomes go up, people tend to eat less bread and more meat.

The concern comes from export consumption. Export shipments and orders already total 29 million tonnes, almost equalling last year's all-time record, and there are still almost eleven months left in the crop year. Judging by the frantic bidding in the Chicago market, the export demand is still far from satisfied.

What has caused this heavy demand?

One obvious factor is the devaluation of the dollar making US wheat a bargain to international buyers.

Secondly, the United States is one of the few countries in the world that provides a free market for wheat — Argentina and the European Community have imposed export bans on wheat just in the past few days, for example, Thus, the United States is one of the few nations willing to be a supplier to the world market.

Once again the Soviet Union is the biggest buyer, followed closely by mainland China and then Japan. Even Argentina, historically a wheat exporter, is now importing wheat and has turned to the United States for help.

small reserve

If anticipated consumption figures, both foreign and domestic, are correct, it would leave the United States with an unusuall small reserve of only 8.1 million tonnes, or about four months worth of US domestic needs.

How much can export sales be expected to increase? Many overseas buyers have already completed their orders for the year. The Soviet Union has finished buying. So has Japan. But China is still making purchases. Actually, however, the biggest block of export sales — over six million tonnes has not as yet been sold to the ultimate destination and is listed as "unidentified". Some of it is undoubtedly in the hands of speculators, who are holding the wheat in hopes of future price rises, when they will sell it at handsome profits.

These legitimate foreign buyers and speculators, are in direct competition then with US millers, who have an obligation to supply their own domestic customers at reasonable prices. "If they don't get in and buy," one official says, "they'll be holding an empty bag."

But officials point to another strange fact about statistics. Although exporters have "bought" over 60 per cent of the new crop, the farmers have only sold 30 per cent of it!

In other words, many exporters are in the uncomfortable position of being caught "short" in a rising market. They have contracted to sell several million tonnes of wheat they haven't even bought yet. The higher the prices climb, the bigger the losses they will have to take when they finally buy the wheat. If export controls should be imposed and there is no

indication now that they will be — the effect would be to soften prices.

But US officials insist that they do not foresee the need for such controls on wheat. "They are chaotic and terrible," one official notes ruefully, recalling the controversy over soybean controls earlier this year.

"We know prices are going to go up, with or without export controls," says David Gunning of the White House Council on International Economic Policy. "So the issue is: How much more will they go up without controls versus with controls? That is a very serious problem. We know food prices are very high, and we are concerned about them. We have felt no need yet to impose controls. Whether we will in the future is very much up in the air."

Much will depend on the wheat crop in other countries such as Canada, Australia and the Soviet Union. The US Department of Agriculture estimates that the present Soviet grain harvest may be a record high. Canadian production is also expected to rise.

Much also depends on whether foreign buyers will restrict their purchases to current needs and not try to build up their own depleted reserves. The US government is consulting other nations, urging them to buy only for current need and postpone until next year purchases to rebuild reserves.

Herbert Stein, Chairman of the President's Council of Economic Advisers, concedes that he is "thinking" about export controls — but without enthusiasm. "Of course we think about it," he says. "We consider practically everything. But we also are very reluctant to do it. There are a lot of negatives along with a lot of pluses. But it is our policy to avoid export controls except in the direst extremity."

Dr Stein referred to President Nixon's statement of July 18 that "unless present crop expectations are seriously disappointed, or foreign demands are extremely large, export controls will not be needed." The President said controls "are self-defeating" in controlling inflation (because they further depress the value of the dollar, thus making imports more expensive) and said he had no intention at that time of extending controls beyond those already in force.

Dr. Stein concedes that the surge in wheat prices will have an impact on domestic food prices. "Of course they will raise consumer food prices significantly," he says. "But one thing we have been trying to tell our people is that this in the real world and we can't guarantee them lower prices for chicken or beef simply by issuing orders. If government orders could produce abundant, low cost food, then the Russians and Chinese would be feeding us instead of the other way around."

—*Courtesy*: USIS

Export and prosper

S. P. Chopra

How to penetrate the fast-growing US import market? The question haunts many nations, big and small, developed and developing. As the US shopping bill goes up, their desire to share the bonanza becomes stronger. But the question remains: how?

The key, according to Dr R. Burr Smith, a noted American economist, lies in a bold and imaginative export promotion programme and not in waiting — as some developing nations seem to be doing — for the United States to offer tariff concessions. Even if these countries are able to obtain preferential tariff rates on some of their manufactured products, he warns, the concessions are not likely to lead to any dramatic increase in their export earnings.

Dr Smith, a Professor of Economics at the Rollins College, Florida, stated in a recent interview in New Delhi that the US Congress is currently discussing a Trade Bill which envisages, among other things, liberalisation of imports from developing countries through preferential tariffs. However, he was of the view that even a reduction by half in tariff rates was not likely to assist materially the developing countries such as India since the current tariff rates, on the average, were between nine and 10 per cent. The reduction in the tariff rates of this order would not be a significant advantage.

Moreover, he added, the Generalised System of Preferences outlined in the Trade Bill would open up the US market not only to India but to a number of other countries which in recent years had acquired increased expertise and efficiency in the production of manufactured and semi-manufactured products. Also, he further predicted, not more than 8 to 10 developing countries would be able to benefit from a reduction in the tariff rates because a majority of the developing countries are still dependent on agricultural commodities for export earnings.

Prof Smith felt strongly that the developing countries should concentrate on export-oriented programmes in order to gain entry into the markets of the industrially-advanced countries. He cited the cases of South Korea, Taiwan, Hong Kong, Singapore and Brazil which, in his view, had been able to increase their exports to developed countries through intensive programmes designed to meet the special needs of their markets. Besides manufacturing products according to the standards laid down by the importers in developed countries, the necessary expertise had been acquired by exporters in these countries to keep in touch with trends in tastes and fashions. Moreover, the exporters have learned to supply goods on schedule. Surely if the importer is an industrially-advanced country could not depend upon a regular supply of goods on schedule, he would not deal with such a supplier.

Dr Smith emphasized that the need for a well-planned and scientific export promotion programme is as great in developed countries as it is in the developing ones. To illustrate his point, he said that in the sixties both West Germany and Japan were able to organise their exports in a much better way than the US. In fact the United States had no comparable programme for exports. The aggressive manner in which both these countries were able to export their goods and build up huge reserves of dollars was no doubt a credit to their capacity to work hard. It also showed their eagerness to occupy an important position in the economic world. What needed to be underlined, he added, was the fact that the absence of military expenditure in both these countries had helped them considerably in the attainment of their objectives.

Commenting on the desirability of raising the standard of living of people in the developing countries, Prof Smith said it was necessary that the rate of growth of Gross National Product (GNP) in developing countries should be made satisfactory. In other words, the rate of rise in GNP had to be higher than the rate of population growth if it were to bring some benefit to the lives of the people. More attention needed to be paid to the developing countries, he asserted, to help them march [illegible]

ard a little faster than they have been
ble to do so far.

In the past the US has been able to assist the developing countries, including India, because it was able to absorb its adverse balance of payments. Currently, the US is under greater pressure because of the adverse trade balance as well as balance of payments. They key may lie in the solution which is being currently worked out by the US, Japan and European countries.

Farming in Sri Lanka

Hardev Singh

Sri Lanka spent nearly one quarter of its national budget (around $ 100 million) on the import of food products during 1972 and the figure for 1973 has been put at $ 120 million. This large expenditure on the import of food seems disturbing in view of the fact that Sri Lanka is essentially an agricultural country bestowed by nature with vast tracts of fertile land and lush green tropical vegetation.

Agriculture, which employs around 57 per cent of working population, is made up of two sectors — commercial plantations and traditional agriculture. The plantations — tea, rubber and coconut — are run on fairly efficient lines while the traditional system of peasant agriculture is characterised by small and often uneconomic holdings.

principal drawbacks

The principal drawbacks of Sri Lanka's agriculture include slow process of reclamation of vast stretches of land and considerable waste of scarce irrigation resources. However, the country imports fish to the value of seven crores of rupees when it is surrounded by a coastal belt of 850 miles and is traversed by a large number of rivers and rivulets. The country also has a tank area of 100,000 acres and 300,000 acres of estuarine waters. Nearly 50 per cent of timber requirements are being imported while about 40 per cent of the land area is covered with forests. A large number of cows are stated to remain unmilched and the country is importing milk and milk products valued at about seven crores of rupees annually. Fruits and vegetables are available in sufficient quantity in remote areas but are not distributed for consumption in places where they are needed.

It may be noted that some progress was recorded in respect of the adoption of a local improved variety of rice. An FAO study has pointed out that an intermediate level of technology requiring less cost, less risk and less labour discipline than the new high-yielding varieties, was assimilated by a wide base of small holdings. Since 1965 increasing paddy land in the main crop season has been planted with the local improved varieties, and yields have risen perceptibly. Those proposing this strategy suggest that the initial adoption of the intermediate level of technology can pave the way for a more sophisticated technology at a later stage. "The rationale of this approach is that, as a national strategy to obtain the highest increase in production, the aim need not necessarily be the attainment of the highest possible yields on individual holdings or in parts of the country, but the achievement of the highest possible average yield on a country-wide basis."

In a recent study of Sri Lanka's agriculture, Dr P.C. Bansil* has revealed some significant facts. It has been pointed out that in Sri Lanka agriculture has come to be a problem only since independence because the number of people crowding the small island has risen from seven to 12.5 million, a consequence of improved public health and a declining mortality rate. Although even today per capita income in Sri Lanka is nearly double that of India or Pakistan, the country is concerned over its sluggish economic growth. Dr Bansil is of the opinion that progress of agriculture with the exception of coconut would seem to be quite satisfactory and if statistics are to be taken at their face value, achievements with regard to paddy would actually appear to be remarkable. But the good effects of this happy situation have been nullified by falling per unit prices of the main foreign exchange earners which, in any case, are beyond the control of the country, and continued food imports at increasing unit prices (table below).

Another significant fact in Sri Lanka's agriculture is that wheat has become an important element of diet of the people. Even during 1968 and 1969, when rice imports were appreciably reduced, imports of wheat flour increased. Per capita consumption of wheat may not be very high in the short period, but it cannot be considered as a healthy trend in the long run because Sri Lanka will not be in a position to produce wheat at any time while rice production can be increased.

The problem faced by the country i[s] that agricultural export sector is the main stay of the national economy not only fo[r] earning foreign exchange but also by wa[y] of its contribution in the revenue of th[e] state. The annual contribution of tota[l] agriculture is around 30 per cent in whic[h] the peasant agriculture accounts for jus[t] one per cent. Moreover the two main ex[port] commodities, tea and rubber, ar[e] fecing severe competition. Coconut i[s] one of those commodities for which ther[e] is a world demand but there is also a grow[ing] local demand for a rapidly increasin[g] population. There is a genuine fea[r] in certain quarters that if the productio[n] of coconut cannot be increased at a fai[r]ly rapid pace, whole of the production i[n] the island would be required for hom[e] consumption only. Depending thus upo[n] these three export crops for the impo[rt] of essential imports, the country is vulne[r]able to adverse changes in the terms [of] trade over which it has no control. D[r] Bansil, therefore, points out that the on[ly] solution of the export sector would be [to] make an effort to diversify the country[']s exports and to increase the production [of] tea, rubber and coconut by intensive an[d] improved methods of cultivation.

Sri Lanka Trade Indices (1958=100)

Year	Export prices: Tea	Rubber	Coconut	18 minor products	All exports	Import prices: Food and drink	All imports
1955	106	136	138	105	114	106	102
1958	100	100	100	100	100	100	100
1960	97	147	112	121	107	101	103
1962	101	115	139	106	107	98	95
1964	101	112	167	146	112	115	107
1965	91	131	120	120	101	108	119
1967	94	109	102	124	98	110	123
1968	103	128	202	155	119	154	160

Source: The Central Bank of Sri Lank[a]

*Ceylon Agriculture, A Perspective : by Dr P.C. Bansil; Oxford and IBH Publishing Co; Pp. 407; Rs 50.

NINETEEN YEARS OF SERVICE TO THE NATION

Public Sector Steel
set for
Dynamic Changeover

In the context of the country's desire to raise steel capacity to over 35 million ingot tonnes by 1985, the recent formation of the Steel Authority of India Limited at the instance of our late Minister, S. Mohan Kumaramangalam, symbolizes a determined thrust to achieve this goal.

On this 26th anniversary of India's independence let us take stock of the contribution of the public sector steel industry to the nation's economy since its inception in 1954.

To India's growing industries, as of March 31, 1973, Bhilai, Rourkela and Durgapur Steel Plants of Hindustan Steel have supplied 9.163 million tonnes of pig iron, 0.792 million tonnes of ingots, 6.725 million tonnes of semis, and 19.670 million tonnes of finished steel. Major items of finished steel supplied include: heavy and narrow plates (2.725 million tonnes), hot rolled/cold rolled sheets/coils (3.431 million tonnes), steel pipes (0.337 million tonnes), tin plates (0.339 million tonnes), galvanized sheets (0.373 million tonnes); heavy and medium structurals (1.814 million tonnes), light structurals (2.118 million tonnes), wire rods in coils (1.307 million tonnes), heavy rails (2.451 million tonnes), wheel and axle sets (194,000 sets), broad gauge/crossing sleepers (0.750 million tonnes) and skelp (0.245 million tonnes).

Besides, Hindustan Steel's plants also supplied 1.685 million tonnes of calcium ammonium nitrate fertilizer, 0.503 million tonnes of ammonium sulphate fertilizer, 4.879 million tonnes of coke, 0.997 million tonnes of coal chemicals (excluding fertilizers), and 4.530 million tonnes of miscellaneous by-products, such as slag, middlings, etc.

The total sales value of all these materials amounts to a little over Rs. 3075 crores, excluding exports. This represents saving of valuable foreign exchange which the country would have had to incur if these materials had to be imported.

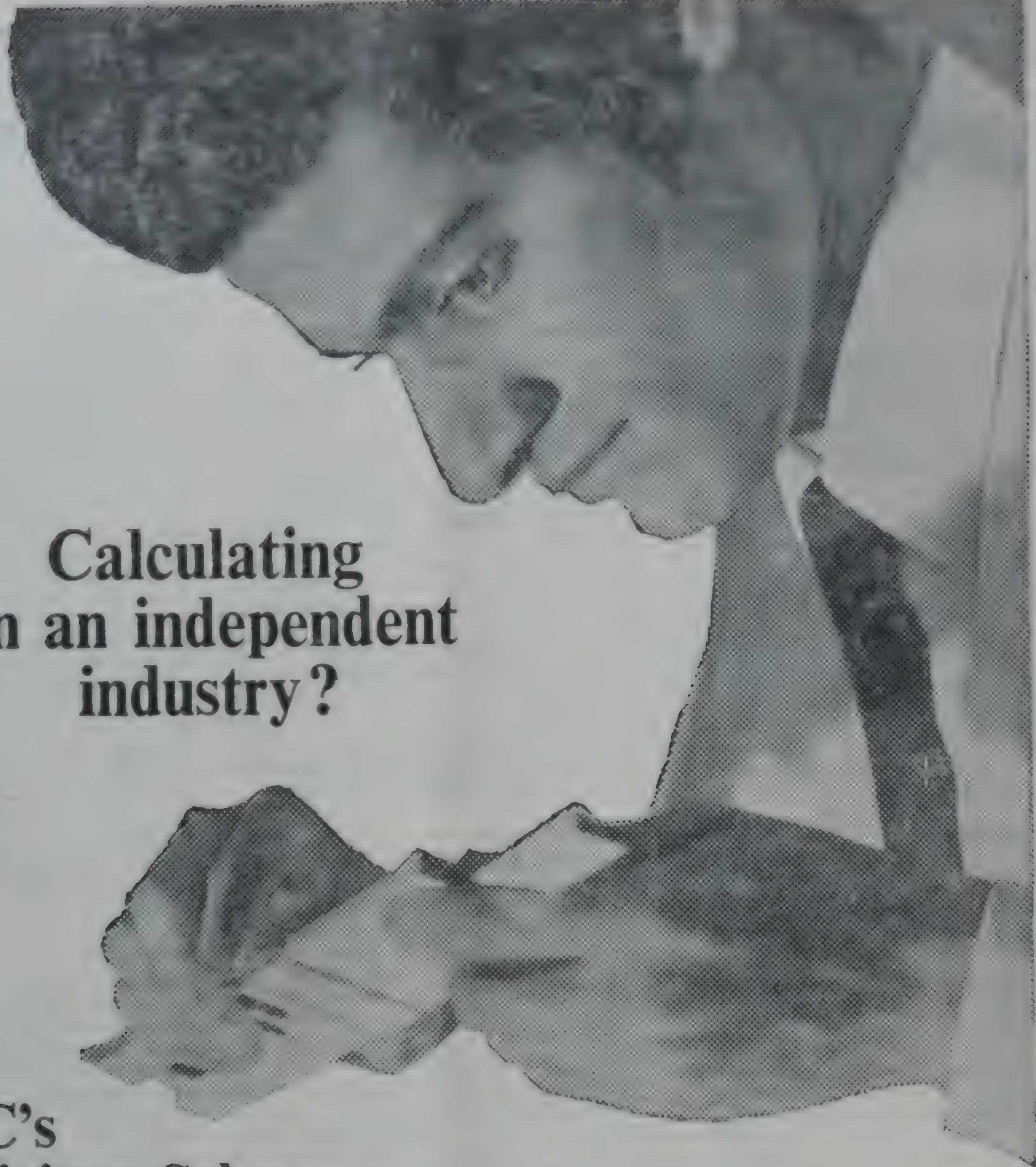
Since the commissioning of the First Blast Furnace of the Bokaro Steel Plant in October 1972, over 157,000 tonnes of pig iron valued at Rs. 7.05 crores have been supplied to meet the country's demand.

Break up of finished steel despatches from the public sector plants to major consuming groups, as on March 31, 1973, comprises:

	Quantity in tonnes	Percentage of total despatches
Defence	786,800	4%
Railways	3,343,900	17%
Other Government departments	4,524,100	23%
Private industries	6,294,400	32%
Stockists, including HSL stockyards	4,720,800	24%
Total	19,670,000	100%

The expanded 100,000-tonne capacity Alloy Steels Plant has supplied a total quantum of 19,400 tonnes of spade ingots, and 152,000 tonnes of finished tool, alloy and special steels valued at Rs. 64.03 crores, to the country's sophisticated industries such as automobile, aviation, machine tool industries, etc.

(continued)



TRADE WINDS

onsultancy Exports

THE face of tremendous obal competition, J.K. Synetics thas won a collaboration rangement from the government of Kenya for setting up nylon-6 filament yarn plant, th a capacity of 1,800 tonnes r annum, at Thika in that untry. Besides providing ocess, know-how, the comny will also supply for this oject machinery and equipent from its Ghaziabad orkshop and several other gineering concerns in the untry. The total export order valued at Rs 5 crores.

The government of Kenya s also shown interest in tering into financial collabotion with JKS. For negotiatg this arrangement, a team m JKS is visiting Kenya later is month. If the financial llaboration arrangement is proved, JKS will invest 49 r cent in the equity of the ika project. This contribun will come to about Rs 1.5 res. The remaining 51 per t equity capital is to be made ailable by Kenya. Part of proceeds of exports of uipment and machinery are posed to be utilised for conution to JKS equity particiion. The excess amount is to received in five years for ich credit facilities have been de available. The project is ected to be completed in 27 months at an estimated t of about Rs 9 crores.

.K. Synthetics has also been cted by the government of Lanka as turn-key contracfor setting up a 2,700 tonnes annum capacity nylon-6 t at Colombo, provided company can meet the creterms being offered by the anese competitors. The anese, it is understood, have red a moratorium on the payment for the services and equipment to be supplied by them till six months after the start-up of the plant. The credit is to be repaid after this period of moratorium in ten annual instalments. J.K. Synthetics has approached the government of India and various financial institutions in the country for assistance so that it can offer competitive terms to the Government of Sri Lanka. This project is expected to earn for the country foreign exchange worth nearly Rs 6 crores.

The government of Bangladesh too is understood to have approached J.K. Synthetics for securing know-how and equipment for nylon-6 polymerisation plant to match with its existing spinning capacity. It has asked JKS to remedy its existing spinning plant for which supplies had been made earlier by a West German firm.

Another important achievement of J.K. Synthetics in the export of process know-how and equipment has been the supply of a 12-tonne per day ethylene glycol plant, valued at Rs 7 lakhs, to a West German firm. This plant is to be set up in Turkey. J.K. Synthetics has successfully developed the know-how for ethylene glycol recovery process at its research and development centre at Kota.

The J.K. House has been spending over the past three years Rs 30/40 lakhs annually on research and development—nearly one per cent of its total turnover. It has recently undertaken to meet the requirements of nylon-66 parachute cloth to the defence forces on a trial basis. The R & D effort of JKS made it possible for it to supply to the defence forces sizeable quantities of parachute cordage soon after the Chinese invasion in 1962. Till then, all parachute cordage was imported. At present, all the requirements of nylon-66 parachute cloth are met through imports.

ECAFE Trade Negotiations

A forecast that the 12-nation Trade Negotiations Group — which ended its third session in Bangkok recently—would lead to "concrete and far-reaching results in terms of trade expansion" among Asian developing countries was made recently by Mr J.B.P. Maramis, Executive Secretary of the United Nations Economic Commission for Asia and the Far East (ECAFE). In an address to the session, which met in Bangkok from August 1 to 8, Mr Maramis also promised to urge other developing countries to join the next round of talks, scheduled for November.

The Trade Negotiations Group, the first of its kind, has been exchanging bilateral lists of key export products and trade concessions. ECAFE countries participating were: Bangladesh, India, Khmer Republic, Republic of Korea, Malaysia, Laos, Pakistan, Republic of Viet-Nam, Sri Lanka, Thailand, Hong Kong and Papua-New Guinea. Speaking at the closing session, the group chairman, Mr Somphorn Thepsithar, Director-General of the department of Business Economics, ministry of Commerce, Thailand, stated that the "satisfactory and successful outcome of the meeting was a manifestation of the determination of developing countries to promote intra-regional trade expansion". Mr Somphorn warned, however, that the task ahead "will be increasingly difficult and complicated and will require our outmost courage, determination and faith."

US Balance of Payments

The US balance of payments improved in the second quarter of this year, according to preliminary estimates release by the Department of Commerce on August 15.

The total outflow of dollars — including the accumulation of dollars in private hands abroad as well as transactions of central banks dropped from $ 6,700 million in the fiirst quarter to $1,500 million in the second quarter, on a seasonally adjusted basis. It was the smallest quarterly "net liquidity" deficit since 1970. The improvement in the US balance of payments position came from several sources, including some categories of transaction for which detailed figures are not yet available. Net inflows of some categories of short-term occurred in the second quarter, reversing outflows that occurred early in the year prior to the second devaluation of the dollar and the "floating" of major currencies. Of greater long-range significance is the fact that the US trade balance was continued to improve, reaching near-balance and pushing the total "goods and services" category into an estimated surplus of $706 million in the second quarter.

According to one frequently used alternative measure of the balance of payments — changes in reserves and liabilities to foreign monetary authorities — the United States registered a small balance-of-payments surplus in the second quarter. However, as the department of Commerce was careful to point out, the widespread "floating" of exchange rates reduces the significance of this "official reserve transsactions balance."

US Raises Bank Rate

The US on August 13, raised the country's Bank Rate to 7½ per cent. The jump from seven per cent was the seventh increase this year. The Federal Reserve Board raised the discount by 1/2 per cent from seven per cent. The discount rate is the tariff charged on prime bank loans. At the beginning of the year, the Bank Rate, or discount rate as it is known in the US, stood at 4½ per cent. The last increase —from 6½ to seven per cent— came on June 29.

India-West German Trade Talks

Talks between India and the Federal Republic of German on economic co-operatio

en the two countries
nenced in New Delhi on
st 22. The Indian dele-
n to the talks, which will
nue till August 28, is led
r M.G. Kaul, Secretary
e ministry of Finance,
the German delegation is
d by Dr U. Boernstein,
terial Director in the
al ministry of Economic
peration.

Loan for Calcutta

e International Develop-
Association has extended
dit of US $35 million to
union government to help
ce a project in support of
Calcutta Metropolitan De-
ment Authority (CMDA)
ramme for rehabilitation
improvement of basic ur-
facilities in Calcutta.
project, which will cost
t US $96.9 million forms
of the CMDA US $230
on programme for 1973-
It comprises 44 schemes
ring water supply (8 sche-
, severage and drainage
roads and trffic improv-
s (12), garbage disposal
environmental hygine
and housing and area de-
pment (2), Technical assis-
will be provided in urban
ning, and in the opera-
and maintenance of water
ly and sewerage services.
e US $35 million IDA cre-
s equivalent to 36 per cent
e total project cost. The
nes have been selec-
with a view to their
ity within the sector.
water supply compone-
will contribute towards
oving the distribution of
ed water in Calcutta and
burbs. The sewerage and
age schemes will help
e the effects of storm
ing during the monsoon.
e garbage disposal and
onmental hygiene schemes
mprove the environment
providing adequate gar-
collection and disposal
ment, and sanitary lat-
in unsewered areas. In
transport, the thrust of
esent CMDA programme
increase the capacity of
g facilities. The schemes
led in the project will
Calcutta better roads,
traffic, a new bus terminal and extension of street lighting. A slum redevelopment scheme will provide for rehousing in flats; a sites and services scheme will provide service lots for self house construction.

Metropolitan Calcutta is the most populous city in the country, with about 8.5 million people, and action to bring about an improvement in urban services is urgently needed. The IDA credit would contribute towards achieving the targets of the CMDA programme. These targets call for an increase in per capita water supply from 22 gallons per day at present to 42 gallons in 1981. Drainage facilities are designed to reduce the incidents of flooding by 95 percent between now and 1981.

Housing, area development and slum improvement programmes will concentrate on areas with extremely low standards of urban services and so will directly benefit about one million persons in the low income group. The programme is generally designed to benefit the poorer segments of the population. It will also have substantial employment effects: the direct employment generated in the metropolitan district as a result of the programme will be about 105,000 jobs, mostly unskilled.

Industrial Production

The industrial production in the country in March 1973 rose by 7.6 per cent and fell by 0.4 per cent as compared to that of the corresponding months in 1971 and 1972 respeetively, according to the figures released by Industrial Statistics Wing, Central Statistical Organisation, government of India. The index of production in February 1973 stood at 194.1 points and in March it was 207.1 points (Base 1960=100). The March index showed a rise of 14.7 points and fall of 0.9 points over the corresponding months of 1971 and 1972 respectively. The revised index for January 1973 was 206.7. All figures are provisional, unadjusted for seasonality. The seasonally adjusted index for the month of March, 1973 was 197.8 points and that for the preceding month 197.0.

COMPANY AFFAIRS

ient Paper

DIRECTORS of Orient er propose to maintain the ity dividend at 20 per cent the year ended March 31, 3. The proposed dividend xpected to be exempt from me-tax in the hands of the reholders. During the year er review the company earned a gross profit of 7.29 crores as against Rs 3 crores in 1971-72. Out of gross profit the directors e set apart a sum of Rs 2.71 res to depreciation reserve against Rs 1.91 crores in 1-72 while the allotment development rebate reserve reduced by Rs seven lakhs Rs eight lakhs. Taxation orbed Rs 2.75 crores as pared to Rs 3.30 crores in previous year. The net fit after these allocations ounted to Rs 1.75 crores against Rs 2.03 crores in 1-72 After adjustments an ount of Rs 69.08 lakhs was nsferred to dividend equali-on reserve, Rs 65 lakhs to eral reserve and Rs 25 s to renewals and replace-t reserve.

ikand Iron

Iukand Iron and Steel rks which has fared well in 2-73 has well maintained its gress in the current year. ales in the first four months 1973-74 (April-July) are ificantly higher at Rs 8.49 es as compared to Rs 7.64 es in the same period of last . The company's furnace med production on July 11 wing the completion of irs to the transformer h broke down on April The order book position he steel foundry in the ent year is quite comfort-. An order for the supply 280 bogies valued at Rs 2.04 crores has been received from the Indian Railways. The first sample of bogies have already been despatched. In the machine building division the outstanding orders amount to about four crores of rupees. The project for creating additional steel making facilities, which is already under implementation, will be completed in the course of this year. By the middle of 1974 further steel making capacity is to be completed at a cost of Rs 2 crores. This programme is being undertaken within the company's licensed capacity. Despite the creation of additional capacity, the company will not be self sufficient in billets. The company has also received a letter of intent to manufacture rolling mill equipment.

Hindustan Lever

Hindustan Lever Ltd has reported a fall in its turnover to Rs 70.62 crores during the half-year ended June 30, 1973 from Rs 76.80 crores in the first half year of 1972. The decline in turnover is attributed to reduced availability of oils. The profit before taxation for the first six months of 1973 amounted to Rs 3.82 crores as against Rs 4.32 crores in the similar period of last year. After taking into account the taxation on profit of Rs 2.44 crores as against Rs 2.74 crores, the profit after taxation for the first half of the current year was lower at Rs 1.38 crores as compared to Rs 1.58 crores in the corresponding period of 1972. The reduction in profits was mainly due to higher price of oils not compensated under price controls.

Hind Rectifiers

Hind Rectifiers is keeping the equity dividend unchanged at 12 per cent for the year ended March 31, 1973. During the year its turnover has gone up to from Rs 2.35 crores from Rs 2.16 crores, while gross profit has moved up by nearly 25 per cent to Rs 32.41 lakhs from Rs 25.93 lakhs in 1971-72. The encouraging performance in the face of rising costs, power shortage and unfavourable marketing conditions is attributed to the impact of the programme of rationalisation. The company's new product thrister, has met with good response from the customers and the management is taking steps to increase the range of production. The government has already permitted an increase in the production capacities of all items covered by the present licence. Meanwhile the company has been preparing itself to undertake turn-key jobs involving the establishment of complete rectifier plants and good orders are expected shortly.

Out of the gross profit the directors have appropriated a sum of Rs 4.80 lakhs to depreciation reserve as against Rs 4.39 lakhs in 1971-72 while the allotment to development rebate reserve was reduced from Rs 1.26 lakhs to Rs 0.71 lakhs Taxation absorbed Rs 15.25 lakhs, Rs three lakhs more than in the previous year while a sum of Rs 3.52 lakhs was earmarked for payment of gratuity as against no provision in the preceding year. After adjustments the disposable surplus of Rs 8.29 lakhs was transferred to general reserve out of which the proposed dividend claiming Rs 3.60 lakhs will be paid.

Bajaj Electricals

Despite an increase in sales to Rs 12.37 crores from Rs 10.98 crores, Bajaj Electricals Ltd has earned a lower gross profit of Rs 64.41 lakhs during the year ended March 31, 1973 as compared to Rs 68.26 lakhs in 1971-72. The directors have maintained the equity dividend at 12 per cent. Out of the gross profit the directors have set aside a sum of Rs 2.83 lakhs to depreciation reserve as against Rs 1.84 lakhs while the amount earmarked for taxation was reduced by Rs 3 lakhs to Rs 36 lakhs. An amount of Rs 73,132 was provided for doubtful debt as against Rs 18,229 in 1971-72 while the allocation to development rebate reserve amounted to Rs 6050 as against no allotment in the preceding year. The net profit after these appropriations amounted to Rs 24.79 lakhs as compared to Rs 27.24 lakhs in 1971-72. The company's profit margins were squeezed following a rise in cost in the face of a high excise duty which raised selling prices and consequently limited the scope for passing on the entire burden of higher costs to the consumer. Though the company's dividend income from its subsidiaries was maintained, other income from selling arrange ments declined. The working of subsidiaries was satisfactory though their earnings too were lower because of reduced sales and higher working expenses.

Wellman Incandescent

Wellman Incandescent India Limited has reported further marked improvement in 1972-73 from the unsatisfactory position in 1970-71 This is despite the problems arising for the engineering in dustry during 1972 from con tinuing shortage of raw mate rials, particularly steel of the right quality and from in flation. Profits before ta during the year rose by Rs lakhs to Rs 16.7 lakhs. This i not only the highest profit eve achieved in the history of th company but also an improve ment of about 46 per cent ove 1971-72. But taxation absorb ed a substantially greater pro portion of its earnings, result ing in a lower net profit afte taxation. The company continu

ed to strengthen and expand the manufacture of libby resilient couplings and relentless efforts are being made by the company to reach the licensed capacity of Rs 20 lakhs as soon as possible. The company's application for the extension of the company's technical collaboration agreement with the UK collaborators is under the active consideration of the government. If the proposal is approved, the collaboration agreement will be continued for another five years and with that there will be an expansion of its licensed capacity for industrial furnaces to Rs three crores. The company's order book for 1973-74 is full, amounting to Rs 162 lakhs. The company is also striving to broaden its acitivities in the fields of sophisticated technology necessary to play its right role in the expansion programme of the primary ferrous' and non-ferrous industries.

Herdillia Chemicals

Herdillia Chemicals has reported significantly improved working results for the half-year ended June 30, 1973, with a pre-tax profit of Rs 45.29 lakhs as against a loss of Rs 4.19 lakhs for the first half of 1972 following a handsome increase of 31.5 per cent in sales and other income from Rs 2.98 crores to Rs 3.92 crores. The profit has been arrived at after providing Rs 55.80 lakhs for depreciation, Rs 20.13 lakhs for interest and borrowing expenses as against Rs 54.54 lakhs and Rs 22.35 lakhs provided respectively in the same period of last year. The income for the period includes a sum of Rs 30 lakhs expected to be received from the insurance company following a fire in the phthalic anhydride plant in January 1973 out of which a sum of Rs 20 lakhs has been received so far. Manufacturing and selling operations were satisfactory during the first half of the year and the management expects to maintain the level of operations during the second half. According to current indications the phthalic anhydride plant will be recommissioned early in 1974.

Tensile Steel

Tensile Steel is maintaining the equity dividend at Rs 15 per share for the year ended March 31, 1973, on an enlarged capital resulting from the one-for-three bonus issue. The company had paid a maiden dividend of Rs 12 per share for 1970-71. As a result of acute power shortage, production declined by 1300 tonnes from 10,320 tonnes in 1971-72. Gross profit too dropped by nearly 14.4 per cent from Rs 58.67 lakhs to Rs 49.93 lakhs despite a modest increase in sales from Rs 3.07 crores to Rs 3.21 crores. Out of the gross profit the directors have appropriated a sum of Rs 14.66 lakhs to depreciation, Rs 2.06 lakhs to development rebate reserve and Rs 19 lakhs to taxation reserve as against Rs 11.13 lakhs, Rs 9.80 lakhs and Rs 13 lakhs provided respectively in 1971-72. This leaves a substantially reduced net profit of Rs 14.21 lakhs as against Rs 24.74 lakhs in the preceding year. After adjustment a sum of Rs 18.77 lakhs was transferred to the general reserve out of which the proposed dividend absorbing Rs 9 lakhs will be paid. The company has secured a letter of intent in respect of its proposal to manufacture annually additional 7500 tonnes of prestressed concrete wires. The expansion programme, which is already under implementation, is expected to be completed by March, 1974.

News and Notes

(*Expansion and Diversification*)

Colour-Chem has achieved partially the expansion of the plant for the manufacture of phthalcyanine blue and green. But the receipt of an import licence for plant and equipment has been delayed. It is now expected that the plant will not be complete in all respects until the end of 1973. Meanwhile the infrastructural facilities are being expanded to sustain enlarged scale of operations. During 1972-73 the company manufactured 15 new products within the licensed range. In addition six other products were manufactured for captive use within the factory and for sale to other dyestuff units. The company's production and sales during the current year so far are substantially higher than in the corresponding period of 1972-73 although severe shortages of critical indigenous raw materials continue to pose a serious problem. The directors of the company decided recently to issue one-for-two bonus shares. Barring unforeseen circumstances they are confident that the dividend for 1973-74 will not be less than 10 per cent. This will represent considerable improvement over the distribution of Rs 12 per share for 1972-73.

New Issues

Bharat Rubber Regenerating Co. Ltd., will soon be offering to the public for subscription 120,000 equity shares of Rs 10 each and 5,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each both at par. The entire public issue is underwritten. The company has an authorised capital of Rs one crore, comprising 750,000 equity shares of Rs 10 each and 25,000 redeemable cumulative preference shares of Rs 100 each. The issued equity capital of Rs eight lakhs has been subscribed by the directors and promoters of the company and their friends and associates. Since 1971 the company is exclusively engagged in executing the reclaimed rubber project which is located at Adityapur in Bihar. The demand for reclaimed rubber, which is a basic raw material, has been estimated at 30,000 tons during fourth five year plan period. Compared with foreign countries where the use of reclaimed rubber amounts to 20 to 25 per cent of the total rubber consumption, the use of the material in this country is only 11 per cent of the total rubber consumption. The rea[illegible] has only recently [illegible] veloped. The consu[illegible] this material is [illegible] multiply due to the [illegible] vantages in its use. Th[illegible] pany's production [illegible] tons will be much le[illegible] the total present con[illegible] of the eastern zone [illegible] which is estimated at [illegible] a year. Therefore the [illegible] pany anticipates no d[illegible] in marketing its [illegible] Barring unforeseen [illegible] tances the manag[illegible] hopeful of declarin[illegible] sonable dividend from [illegible] second year of its opera[illegible]

Searsole Chemicals w[illegible] be in the capital market [illegible] a public issue of 2[illegible] equity shares of Rs 10 eac[illegible] raise a part of the resou[illegible] for the execution of its [illegible] 80-lakh project for the m[illegible] facture of activated and p[illegible] pitated calcium carbon[illegible] The plant will be located [illegible] Dehra Dun and is now u[illegible] erection. It is expected t[illegible] on stream in early 1974. [illegible] capital cost of the project [illegible] Rs 80 lakhs will be met by [illegible] equity share capital of R[illegible] lakhs and term loans to [illegible] arranged of Rs 48 lakhs. [illegible] domestic production of calc[illegible] carbonate is 15,000 tonne[illegible] year and it is less than hal[illegible] the estimated annual dem[illegible] Calcium carbonate is requ[illegible] by such industries as phar[illegible] ceuticals, rubber, tyres [illegible] tubes, cosmetics, printing [illegible] and paper and paints. Co[illegible] dering the growth poten[illegible] of this industry the comp[illegible] prospects are indeed exc[illegible] Hence a good response to [illegible] public issue is assured.

Bengal Ferro Alloy and [illegible] **Ltd.,** promoted by P[illegible] of Bombay and Beri[illegible] Calcutta, is putting [illegible] tonne electric arc furnace [illegible] an installed capacity of [illegible] to 21,000 tonnes per [illegible] The company hopes to [illegible] mence production in O[illegible] November 1973. S[illegible] plant is located in a [illegible] backward area it will be [illegible]

state and central incentives d benefits including the sub- ly from the central govern- ent. The extent of subsidy is pected to be 15 per cent of e value of the fixed block bject to an upper limit of 15 lakhs. To raise part of e resources required for the plementation of this project e company entered, the capi- market on August 23 with public issue of Rs 24 lakhs, mprising 240,000 equity ares of Rs 10 each. The sub- ription list will close on ptember 3 or earlier but not fore August 27.

Suraj Industrial Packing oposes to issue shortly 0,000 equity shares of Rs each and 19,000 preference ares of Rs 100 each to the blic for subscription. The oceeds of the issue will be lised to meet a part of the ance required for the set- g up of Rs 65-crore paper ll complex at Mailani, in , with US collaboration. is paper mill will manufac- e 200 tonnes of newsprint,) tonnes of writing and nting paper and 100 tonnes rayond grade pulp. The npany has already finalised eements with its foreign laborators with the union ernments' approval. These eements provide for 25 per t participation in the Indian npany by the foreign col- orators. Negotiations are progress for arranging a for- exchange loan from the . The central government agreed in principle to al- the company to import ital goods worth Rs 20 es. Meanwhile the com- y's applications for loans underwriting with vari- financial institutions are g processed.

ew Registrations

the Southern Region, prising of the states of il Nadu, Andhra Pradesh, ore, Kerala and the union tory of Pondicherry, the pany formations during the rter ended June 30, 1973 ved a downward trend as new companies (12 public 111 private companies) were registered as against 138 (16 public and 122 private) registered during the preceding quarter. The aggregate of authorised capital with which these 123 companies were registered being Rs 1720.70 lakhs was also lesser than that of the companies registered in the preceding quarter. Of these new registrations eight are giant sized companies, each having an authorised capital of Rs 50 lakhs and above, and six are big sized companies with an authorised capital of 25 lakhs and above.

There were two cases of transfer of registered offices in this region during the quarter, one from the state of Maharashtra to Tamil Nadu, and another from Tamil Nadu to Mysore state. Four public companies with a total authorised capital of Rs 210.00 lakhs and 43 private companies with a total authorised capital of Rs 287.30 lakhs were registered in the state of Tamil Nadu during this quarter. Of these five are giant-sized companies having authorised capital of Rs 50 lakhs and above. Two companies with an aggregate paid up capital of Rs 391 lakhs went into liquidation and two companies with an aggregate paid up capital of Rs 0.34 lakh were struck off. Four public companies with a total authorised capital of Rs 161.00 lakhs and 18 private companies with a total authorised capital of Rs 115.50 lakhs were registered in Andhra Pradesh during this quarter. Of these one public company by name Multi Steels (India) Ltd., with an authorised capital of Rupees one crore, was registered in this state during the quarter. One company with a paid up capital of Rs 0.01 lakh went into liquidation during the quarter, and two companies with a paid up capital of Rs 0.004 lakh were struck off.

Two public companies with a total authorised capital of Rs 380.00 lakhs and 33 private companies with a total authorised capital of Rs 168.50 lakhs were registered in Mysore state during the quarter. Of these, one public company of giant size, by name Mynylon Ltd., with an authorised capital of Rs 375 lakhs was registered in this state during the quarter, and one govt company by name Karnataka State Agro Corn Products Ltd., with an authorised capital of Rs 25 lakhs was registered as a private company. One company with nil paid up capital went into liquidation and one company was finally dissolved.

Two public companies with a total authorised capital of Rs 315 lakhs and 16 private companies with a tota authorised capital of Rs 82.4 lakhs were registered in Keral state during the quarter. O these, one public company o giant size, by name Aluminium Complex Ltd., with ar authorised capital of Rs 3 crores was registered in thi state during the quarter. One company with a paid-up capital of Rs 2.18 lakhs went int liquidation. One private company with an authorised capital of Rs 1 lakh was registere in Pondicherry during the quar ter. No public company wa registered during the quarter

One company with a paid-up capital of Rs 0.03 lakh was struck off.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital amounting to over Rs 1.27 crores. Following are the details:

Lona Industries Private, Limited., Bombay, has been accorded consent, valid for 3 months, to capitalise a sum of Rs 5 lakhs out of the general reserves.

Ranbaxy Laboratories Pvt. Ltd., New Delhi, has been accorded consent, vaild for 3 months, to capitalise Rs 14,14,540 out of its general reserves and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 7 bonus shares for every 10 equity shares held.

Burman Farm Private Ltd., New Delhi, has been granted consent, valid for 3 months, for issue of bonus shares worth Rs 40 thousand only.

Vissanji Khimji and Company Private Limited, Bombay, has been accorded consent, valid for 3 months, to capitalise Rs 2 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each, as bonus seares, in the ratio of 1 bonus share for every 1 equity share held.

Kidarnath Kishanchand Private Limited, Bombay, has been accorded consent, to capitalise Rs 14,16,800 out of its general reserves and to issue 14,168 bonus shares of Rs 100 each in the proportion of 11 bonus share for every 4 fully paid equity shares held.

Camera Works Private Limited, Bombay, has been granted consent, valid for 12 months, for issue of equity shares worth Rs 2,95,300 to be offered to the existing shareholders of the company for cash at par, on rights basis. The proceeds of the issue will be utilised for meeting liabilities for payment of loans.

Bengal Ferro Alloy and Steel Ltd., Calcutta, has been given an acknowledgement to their statement of proposals, valid for a period of 12 months, for issue of equity shares worth Rs 40 lakhs (inclusive of capital already raised). The proceeds of the issue are to be utilised for financing a part of the project for manufacturing of steel ingots and billets to be set up at Kalyani in distt. Nadia (West Bengal).

Madhya Pradesh Electricals, Bhopal, has been permitted to issue capital under clause 5 of the Capital Issues (Exemption) Order, 1969, to the value of Rs 40 lakhs in equity and preference shares to finance a project for manufacture of winding wires.

Birpara Tea Co. Ltd., Calcutta, has been granted consent, valid fcr 12 months, for issue of equity shares worth Rs 8,75,400 to existing shareholders of Ledo Tea Company in terms and in accordance with the amalgamation scheme approved by the Calcutta High Court.

Company Meetings

The Bengal Paper Mill Co Ltd, Registered Office, 14 Netaji Subhas Road, Calcutta; August 31; 4 P. M.

Saugor Electricity Supply Company Ltd, Registered Office, No 12, Mission Row, Calcutta; August 31; 10.15 A.M.

Greaves Cotton & Company Ltd., Bombay House Auditorium, 24, Homi Mody Street, (Bruce Street); September 11; 4.30 P.M.

Interim Dividends

Tungabhadra Industries has recommended an interim dividend of five per cent per annum for the year ending September 30, 1973. The company paid a total dividend of five per cent for 1971-72.

EID-Parry Ltd., has declared an interim dividend of three per cent for the year ending September 30, 1973.

The Associated Stone Industries (Kotah) Ltd, has [illegible] a gross interim di[illegible] Rs one per share for [illegible] ending September 30, [illegible]

The directors of Pfizer L[illegible] have recommended a [illegible] interim dividend of 5[illegible] per share for the year [illegible] November, 30, 1973.

Dividends

(Per ce[illegible]

Name of the company	Year ended	Equity dividend de-lared for	
		Current year	Previo[us] year
Higher Dividend			
Saraswathi Mills	March 31, 1973	10.0	5
Same Dividend			
Firth (India) Steel Co.	March 31, 1973	10.0	10.
Balanoor Tea & Rubber Co.	May 31, 1973	15.0	15.
Central Scientific Supplies Co.	March 31, 1973	15.0	15
Rajendra Coffees	March 31, 1973	40.0	40
Kalasa Tea & Produce Co.	March 31, 1973	16.0	16
Kumbakonam Electric	March 31, 1973	15.0	15
Negapatam Electric	March 31, 1973	15.0	15
Calcutta Steel	March 31, 1973	10.0	10
Malabar Steamship	March 31, 1973	Nil	[illegible]
Reduced Dividend			
T. Stanes & Company	March 31, 1973	15.0	[illegible]
United Nilgiri Tea Estates Co.	March 31, 1973	17.5	[illegible]
Mico Farm Chemicals	December 31, 1972	Nil	[illegible]
Kil Kotagiri Tea	March 31, 1973	10.0	[illegible]

*For 14 months ended May 31, 1972.

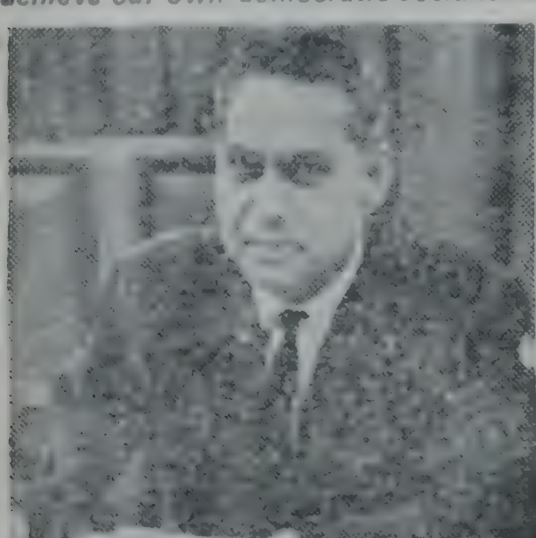
"I believe that every Company has two Balance Sheets. The obvious one is already with you in the Report and Accounts. The other, not so obvious, relates to obligations in the National Interest and thus to the Public Good."

India Tobacco Company Limited

Chairman, Shri A. N. Haksar's statement
at the Sixtysecond Annual General Meeting held on Thursday, 16th August, 1973.

A : INTRODUCTION

I have much pleasure in welcoming you to the 62nd Annual General Meeting. ***Our country is facing economic problems of a magnitude which cannot be easily resolved. These are the inevitable pangs of today for a better tomorrow. May be, the resolution is in an ISM our very own—INDOISM—in which Democracy in its perverse form, does not place the individual above society and, Planning, in its totalitarian form, does not crush the individual—so that we are able to achieve our own democratic socialism.***



Shri A. N. HAKSAR

One thing in this Nationalism is certain. This is, that the surest road to quickest improvement is along the path of a single-minded effort to rapidly increase Production, including that of consumer goods, by the optimum utilisation of the Resource Investments already made in National Capacity and, by motivating widespread new Investment within the parameters of fundamental Policy and expeditiously permitting its implementation judged against identified criteria of National Socio-Economic Interests. I pledge your Company's support to the Government in the resolution of our country's economic problems.

B : REVIEW—RESULTS

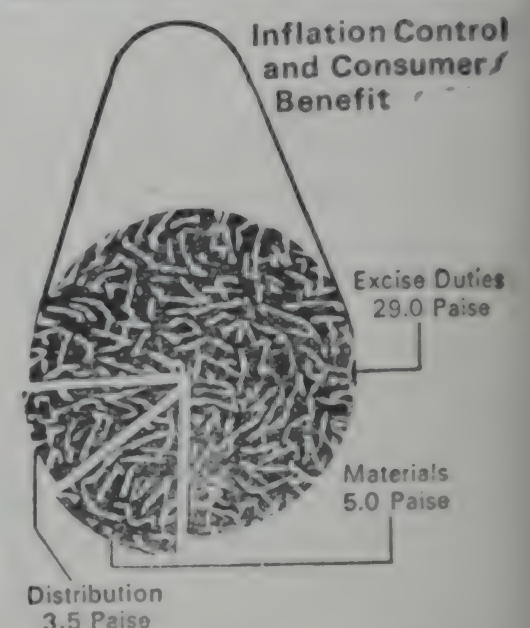
In 1972/73 the turnover was Rs. 217 crores compared with Rs. 200 crores in 1971/72. Rs. 12 crores of the increase is accounted for by Excise Duties. Excise Duty increases in the last two years necessitated price increases resulting in the Industry volume declining in 1972/73. Costs have also risen due to Long Term Settlements with Unions and the higher charge for servicing additional Excise on finished goods. Nevertheless, your Company achieved a comparatively better performance within the Industry and, as the adverse costs have, to some extent, been offset by cost control, the results can be considered satisfactory. The Company maintained leadership in the expanding Filter Tipped market which augurs well for the future. Three new brands were introduced successfully. WILLS FLAKE FILTER, marketed in 1971, is now the largest Filter Tipped brand in India.

C : BALANCE SHEET OF NATIONAL INTEREST

As in past years I will cover another aspect of your Company. I believe that every Company has two Balance Sheets. The obvious one is already with you in the Report and Accounts. The other, ***not so obvious,*** relates to obligations in the National Interest and thus to the Public Good. It is the latter—THE BALANCE SHEET OF NATIONAL INTERESTS—that I will speak about this year. Among the many National Interests towards which the Company endeavours to contribute, I will confine myself to those emanating from Production and utilising RESOURCE INVESTMENTS already made and more specifically, Research and Development.

1. PRODUCTION LEADING TO INFLATION CONTROL AND CONSUMER BENEFIT

Inflation is a matter of growing National Concern, in basic needs, as well as in discretionary expenditure according to the free choice of free people. Inflation control necessitates producing more—more efficiently, using the Resource Investments already made more fully, thus spreading the Company's necessary return on capital over larger economic production. I am glad to report that, your Company's increasing productivity leading to higher production, has made possible a meaningful contribution. Since 1961/62, by 1971/72, the average price of 10 cigarettes had increased by 37.5 paise. Of this increase, Excise Duties account for 29.0 paise, all materials 5.0 paise and increased cost of independent distribution 3.5 paise; these three items alone totalling 37.5 paise. ***Thus for 10 years there has been no extra burden on the consumer of inflation*** in wages, freight, cost of capital and a host of other expences. This has resulted from better efficiencies and improved technology possible with increased economic production.



2. PRODUCTION LEADING TO EMPLOYMENT AND BETTER QUALITY OF EMPLOYMENT

Increasing Employment is the Nation's topmost priority. Your Company employs 10,690. In recent years, as a result of modernisation, technological improvements, better utilisation of installed plant and higher productivity inputs, employments has ***not*** gone down, on the contrary, increasing production through such measures has resulted in the unionised workforce going up from 8,800 to 10,353. Furthermore, as Cigarette production increases within the limits of existing installed capacity, further employment is ***assured*** in each of the individual areas where your Company factories operate. This specific regional obligation and need is separate from and, as important as, the need to create jobs through the development of new undertakings.

To create more jobs through new investment your Company has selected diversified activities that are labour intensive which, with fruition, will employ another 2,500 including those fortunate to be better educated. To these figures must be added the 24 070 permanent and seasonal workforce of ILTD, an inter-connected Tobacco operation, as the two Companies in the Group are integrated and inter-dependent upon the success of each other.

Thus existing and immediately foreseeable operations involve 40 000, which with families, means that some 200 000 individuals are, and will be, entirely dependent

upon the increasing production of Cigarettes and the successful implementation of the Company's diversification plan. Such total increase in employment, and its well-being, is dependent upon increasing Cigarette production within the present capability acting as the sheet anchor during the development stages of the new activities which need to be supported and nurtured during gestation. Your Board consider this responsibility, to create employment both within existing and new undertakings, as much a Trust as they consider themselves Trustees of your investment. This Trust will be more readily discharged with encouragement to Production with one voice throughout the country.

Regarding the Quality of Employment I would like to emphasise only one aspect. It has been the endeavour of the Management and Unionised Staff to recognise that, in an inflationary economy, it is Nationally economic that individual needs be met from higher productivity and optimum use of ***Resource Investments*** already made. To this end an increasing proportion of the pay-packet is directly related to increasing production from the installed plant. ***There is, thus, a unique built-in relationship between the four National Interests of more Employment, an improving Standard of Living, Production and Concern for Consumers.***

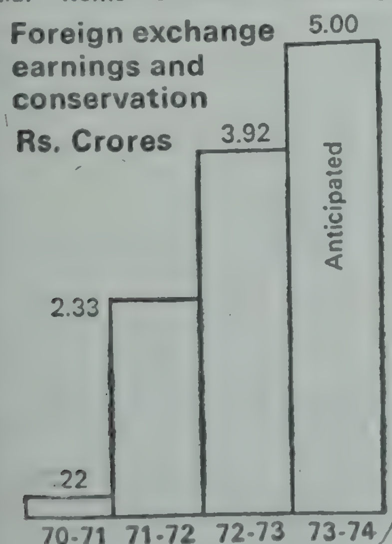
Increasing production has also enabled setting up of independent Small Scale Sector Units who, in turn, collectively employ some 4,500 people, as well as better service to consumers with an expanded independent chain of distribution through which another 2,500 have jobs.

3. PRODUCTION LEADING TO RESOURCES INVESTED UTILISATION AND RESOURCE MOBILISATION

Government Policy indicates the National Economic need to get maximum production for every rupee already invested and thus mobilise additional resources. I am happy to report that, in your Company, even with capital expenditure confined to replacement, process improvement, quality betterment, modernisation, technological progress and meeting the consumers' changing tastes, productivity in millions of pieces per man year, has increased by 50% between 1962/63 and 1971/72. Significantly also, over Rs 10 crores has been mobilised through retained profits since the Company went public. With fuller utilisation of existing capability accretions to such mobilisation should continue, leading to even wider economic activity.

4. PRODUCTION LEADING TO FOREIGN EXCHANGE EARNINGS AND CONSERVATION

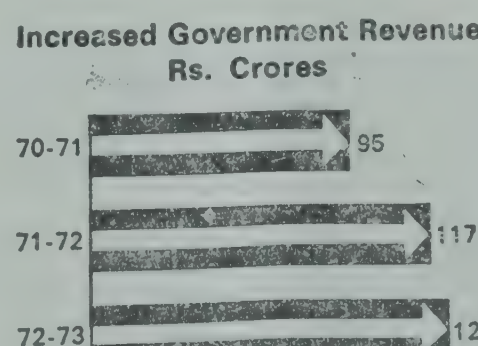
Foreign Exchange and ability to buy essential items abroad is our greatest



National Scarcity. The base of increasing Cigarette production backed by the confidence in Government Policy to encourage full installed resources utilisation, has enabled your Company to make a special risk investment to generate non-traditional exports. Starting in 1970/71, when exports were only Rs. 22 lakhs, these have steadily increased to Rs. 2.33 crores in 1971/72, Rs. 3.92 crores in 1972/73 and are anticipated at Rs. 5.00 crores in 1973/74. This performance is the highest by any Company in the Industry, representing a favourable export earning of Rs. 3.3 against each rupee of the foreign dividend; ***there is thus a favourable inflow rather than an adverse drainage of foreign exchange.*** Import substitution in the Cigarette business has been achieved virtually 100%; in 1973/74 the cost of imports will be around Rs. 5 lakhs—0.02% of turnover. The diversified activities selected are also foreign exchange earners. With their implementation, it is anticipated that some Rs. 15 crores will be earned taking the non-traditional total export earnings upto Rs. 20 crores. For the Group—ITC/ILTD—in 1973/74, it is anticipated there will be ***a net favourable trade balance of around Rs.19 crores, after allowing for imports and profit repatriated; an export earning of Rs. 11 for every rupee received by Foreign Capital.*** This contribution of about 1% of the Nation's total export trade has been possible with the growth of the established Cigarette business and the support of the Foreign Shareholders. Furthermore, neither increased Cigarette production nor diversified expansion will result in increased outflow of profits in foreign exchange.

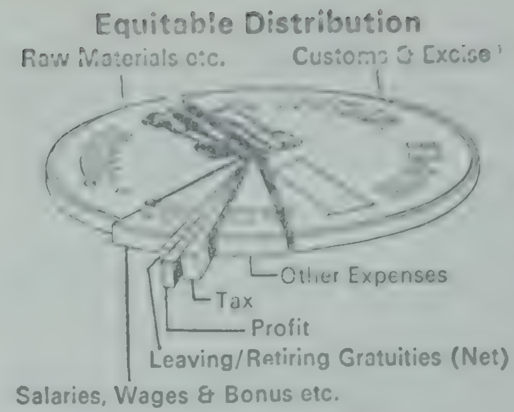
5. PRODUCTION LEADING TO INCREASED GOVERNMENT REVENUE

With 70% of Government Revenue arising from the Industrial—Commercial sector, National Exchequer resources need to be augmented through increasing production. Your Company's direct contribution has been steadily rising; Rs. 95 crores in 1970/71, Rs. 117 crores in 1971/72 and Rs. 121 crores in 1972/73. As such revenue needs to be contributed to by everyone in the Industry, and not substituted from one source to another, your Company's contribution needs to be safeguarded and enhanced with further utilisation of installed plant whereby the Government will obtain ***assured*** larger revenue from higher production.



6. PRODUCTION LEADING TO EQUITABLE DISTRIBUTION

The National Aspirations are to enlarge the total Production and to ensure more equitable distribution of it. Your Company's increasing turnover is meeting this requirement. In 1972/73, ***out of every rupee of the Rs. 217 crore turnover*** 56 paise went to the Government (thus to the public), 32 paise in raw materials (including tobacco), 5 paise in the total wage bill, 6 paise to cover all other expenses and only 1 paisa in Company profit.



7. PRODUCTION LEADING TO INDIANISATION

It is a National Need that expanding production should be increasingly associated with Indian Capital, thus reducing its cost in Foreign Exchange. This is being actively pursued. In January 1970, Indian Capital was voluntarily increased by Rs. 4.65 crores resulting in your Company having the largest Indian Equity in the Industry. Since then there has been some delay in obtaining permission for diversified expansion. This having been received, the Company's proposals are already with the Government ***to enable dilution of Foreign Capital to a minority holding and to conserve foreign exchange,*** to be followed with measures to fully meet the Government Policy.

8. PRODUCTION LEADING TO REDUCED CONCENTRATION AND MORE ENTREPRENEURSHIP

National Industrial Policy requires: (i) Creation of resources through increased production. (ii) Direction of resources to priority areas. (iii) Increased volume of production by everyone in the Industry spread more widely amongst the manufacturers. (iv) New entrepreneurship. This needs to be achieved without impairing the efficiencies of existing production and capabilities. ***I would like to make a strong plea to the Government and those directing the economic destiny of our country.*** Empirical evidence in the Cigarette Industry shows that the increase of total production to meet growing demand does not increase concentration of production, on the contrary, it diminishes. Manufacturers in the Industry are responsible for efficient operations, industrial peace, modern professional management and, above all, service to the consumer by giving him what he wants with the best value for his money, with profit viewed as a barometer of performance rather than the only purpose. Your Company endeavours to work to these National objectives and, within the Industry, makes know-how freely available should it be required, assists the weaker elements, encourages new entrepreneurship and, above all, the benefits of increased production leading to mobilised resources are used as an anchor to undertake new priority activities. ***My plea to the Government is to encourage overall production and overall demand as no scarce resources are involved.*** The scope is unlimited. Per capita cigarette consumption in India per month is 9 compared with 20 in Bangladesh, 20 in Sri Lanka, 24 in Pakistan, 70 in Malaysia amongst our neighbours. A co-ordinated excise taxation and growth policy between 1965/66 and 1972/73 would, it is estimated, have yielded the same level of revenue as the Government is obtaining today without a heavy burden on the consumer; the Industry volume would likely to have been 105 billion pieces compared with the actual of 60 billion in 1972/73. Such a policy of overall growth, without restrictive measures on individual volume production, would result in diminishing concentration,

Increasing professionalisation, an escalating multiplier effect fuller utilisation of resources invested, mobilisation of resources for priority areas and emergence of new entrepreneurship; the last of which has been retarded by virtually static industry volume over the last few years. It will also be evident that had such production growth taken place, as has been possible, there would have been a very substantial increase in employment for producing the very much larger total quantity of cigarettes.

D : RESEARCH—DEVELOPMENT—THE OXYGEN OF INDUSTRIAL PROGRESS

I would now like to deal with one more major National Interest. As Oxygen is vital to Life, so is Research—Development—Technology—Innovation : the Oxygen of Industrial Progress and Economic Independence. The efficiency of the Tobacco and Cigarette Industry, the world over, is dependent on sophisticated R & D, expert Technology in a number of fields and Innovation to provide Consumers best value for money with Consumer preferences changing rapidly. Your Company's, as well as that of the inter-connected Tobacco Leaf Operations' investment in India, in these areas, represents the KOKUTAI (Japanese for National essence), on which is founded the Company's past growth, the present position and the future potential. This investment serves both the Nation and the Consumer.

1. R & D.—INVESTMENT

R & D was started 45 years back in 1928 around Guntur (A.P.). It shifted to Rajahmundry (A.P.) in 1946 where by 1961 it had expanded to a modern Research Centre (other than Government Institutes the only one of its kind in India), providing complete Agronomic Research on Tobacco. Simultaneously, in 1952, an R & D Centre started in Calcutta to evaluate tobaccos for cigarette manufacture, to achieve import substitution, to develop process technology, to develop products and to provide R & D facilities to Small Scale and Ancillary suppliers. Then, in 1965, through ILTD, a Field Agricultural Research and Development Staff Training Centre started in Hunsur (Mysore). More recently, The Integrated Research Centre construction started in Bangalore on 28th April 1972 and this was inaugurated by the Governor of Mysore on 2nd August 1973, to enlarge and integrate activities to cater for the future and, hopefully, to expand export of R & D. Recognition was given by the FICCI Award for Outstanding Contribution to Agriculture to ILTD in 1970. At Hunsur, 49 Government nominees, 2 overseas candidates and 5 competitor Company Staff have also been trained to date. Over the years the Group has invested well ***over a Crore of Rupees,*** recurring expenditure on both R & D of all kinds now exceeds ***Half a Crore per annum.*** 45 Scientists and Technicians conduct Research and another 139 Development Staff convert the findings of Research into economic value. ***Although it is recognised that increasing investment in R & D can be sustained only with size and growth, I would plead to the Government that such growth must be encouraged with fullest production of the existing business capability as well as through, and not in substitution of, diversified ventures ; the latter playing an increasing role after the former is at optimum utilisation.***

2. R & D.—THE BENEFITS OF FOREIGN ASSOCIATION

Foreign Collaboration in your Company has made possible SELF RELIANCE in R & D and Technology. Although the genesis of such activity lies in enlightened self-interest, the spur to its continuing development to the present stage has been the good citizen" response of the Company's Foreign Capital to its host country—India; for this they deserve every tribute and continued hospitality within the framework of National Policy. ***Today advancing R & D and Technology continues to be available to the country through the Company completely free of any charge.*** The Company also receives assistance in exporting R & D to associates of the Foreign Shareholders ; *albeit* this is only a beginning. Such free transfer of technology, from global expertise has, for example, covered assistance from scientific and technical experts, designs for manufacture of equipment, process technology, waste utilisation, advanced methods for tobacco processing to assist export development, material substitution, know-how to develop Small Scale and ancillary suppliers and know-how for developing diversification, etc.

3. R & D.—SERVING NATIONAL INTERESTS

I would now like to mention a few specific ways in which your Company's and its inter-connected leaf operations' collective effort towards R & D endeavours to serve National Interests.

1. R & D.—Economic Independence—Tobacco

Your Company's R & D and Technology introduced Virginia Tobacco in India and has almost single-handedly developed its growth. As every producing country jealously guards its tobacco seed, the Company has invested in Seed development, its multiplication, plant breeding and the innovation of new strains and types. The very first truly indigenous flue-cured (Virginia) strain (FCV Special) was so successfully developed that it is the mainstay of 40% of the tobacco farming areas of Andhra Pradesh. Another development—16/103—has done remarkably well covering 50% of light soils development in the West Godavari districts (A.P.). Yet other varieties have been developed by your Company/Leaf operations such as Hicks Special, Kutsaga 51, E2, NC 95, Burley 21, for different parts of the country. In addition, growing of new types is being Researched, such as air-cured, fire-cured, Turkish, etc., to meet domestic and export demand. Newer strains of sun-cured Natu tobacco today cover the entire development areas under such tobacco. Today India is economically independent in Tobacco—the basic raw material.

2. R & D.—Economic Independence —Plant & Machinery

Development work aided by Research, and the free transfer of Technology from your Company, helped to make the Cigarette Industry in India Economically Independent, almost without exception, in Plant and Machinery. This process was started in 1948 by setting up a Workshop in Calcutta which subsequently emerged into an independent Cigarette Machinery Manufacturer for the industries' manufacturing and packaging needs. Similarly, by making technical drawings, know-how and experts available to independent entrepreneurs, all machinery required for tobacco processing, with one exception and one soon to be built, is now available in India. A number of machines and devices to improve manufacture, have been invented by the Company's development staff.

3. R & D.—Economic Independence —Materials

Your Company's R & D has worked very closely with both Small Scale and ancillary suppliers in the development of materials. This association was started as far back as 1940 for the development of board, around 1944 with experiments to develop cigarette paper and over the years with a host of other materials such as filter rods, substitute cork tipping, substitute to foil bundling, waterproof paper, aluminium foil, CFCs, adhesives, polythene laminated kraft, etc. Economic independence in materials has become possible with R & D aiding the proper use of raw materials, innovating alternatives and adapting processes to suit indigenous resources.

4. R & D.—Tobacco Exports

R & D has helped satisfy demanding International customers with regular Tobacco Analysis. These facilities are also utilised by export customers of the competitors. Furthermore, changing trends in consumer tastes abroad have had their repercussions on India's export effort. R & D has made it possible to cater to these new demands by producing ripe, open grained tobacco with good filling value and more positive characteristics. Not only has R & D made possible economic independence in tobacco, this development has also created an export earner in tobacco of around Rs. 50 crores currently.

5. R & D.—Tobacco Yields

With limited land it is essential to obtain maximum yields and help the farmer. By research and demonstration to farmers, yields have increased 100% by adopting innovated practices including deep tillage, correct methods, timing and controlling fertilizer inputs, selecting optimum fertilizer mix, matching the variety and seed to areas, optimum time of planting and evolving the most suitable types and dosages of pesticides for effective control of pests and diseases. All the Tobacco areas in Mysore, Gujarat, Andhra Pradesh and U.P. have benefited from this and, over the years, yields have increased from a level of 500 kgs to 1000 kgs per hectare today—the direct result of R & D.

6. R & D.—Quality Tobacco

Detailed Research to identify saline tobaccos has helped in elimination of these tobaccos, which would have otherwise jeopardised our markets abroad. Further Research on other "off-type" tobacco revealed that the phenomena of "greying" was due to a nitrogen deficiency, the correction of which has helped to make tobacco from an area of 15,000 hectares acceptable to the users.

7. R & D.—Dryland Farming

R & D has enabled dryland farming. Kurnool (A.P.), frequently drought stricken, was the scene of experiments to develop dryland Sun Cured Natu tobacco. Starting with 475 hectares in 1961-62, today there is successful cultivation in 16,000 hectares fetching farmers Rs 1.5 crores. In 1968 and 1973 when other crops failed, dryland grown tobacco remained a source of income to farmers. Additionally, remedial measures to nourish the soil and new agronomic practices have increased production of other crops.

4. R & D.—SERVING THE CONSUMER

And now a few words on your Company's Research and Innovation to Serve the Consumer upon whom alone depends the success of any cigarette manufacturer; no other factor counts as the smoker makes a totally inalienable right of free and personal choice. The Company's objectives of service are : (i) Producing what the consumer wants or prefers; failure to understand this is the surest road to failure. (ii) Ensuring and maintaining good quality in physical and satisfaction terms. (iii) Giving the best value for money. The achievement of these objectives requires multi-dimensional R & D beyond Research as commonly understood.

1. R & D.—Product Development

Consumer service to manufacture what he wants or prefers in competitive circumstances is provided through Product Development based on R & D. Empirically, 19 out

of 20 new cigarette brands internationally fail. Your Company endeavours to reduce this rate of mortality, and thus avoid waste, by sophisticated Product Development : in the recent past 6 out of 8 new brands have been accepted by consumers. Every brand has been developed 100% in India, none of them are International brands, sales outside India of any of ITC brands represent the Company's exports. The Product Development and Innovation is entirely indigenous based on Scientific, Technological, Market and Consumer Research conducted by the Company's experts in their several R & D disciplines. It needs to be stressed, that, bulk manufacture starts only after Consumer acceptance has been confirmed, to the extent this is possible, through initial R & D's Pilot Plant sample production. Product Development Research is continuous.

2. R & D.—Product Quality

Quite apart from normal Quality Control, Consumer Service to ensure advances in Quality and its maintenance involve very specific R & D. In the first instance, Research evaluations are used to set standards covering physical and other characteristics as, simple though it may seem, the finished product is complex, necessitating optimum balance of a multitude of dimensions. Progress in Quality Standards is aided by R & D improving the basic raw material, improvising protective packaging materials, analytical blending, innovating process and production technology including such technical aspects as are termed CTC, Bulking for marrying of the tobaccos, Blending Bins, moisture control and overcoming the highly hygroscopic nature of tobaccos. This is carried forward to Researching the effects of travel on inputs into the factory, the infestation free standards of storage and the effect of transportation on the finished goods at various stages. The Quality Information Service and the setting up of systems for measuring and controlling the quality of incoming materials, the QIS monitoring in the factory and regular R & D market samples analysis are a continuous process in pursuit of better Quality.

3. R & D.—Giving Consumers Better Value

A variety of R & D helps to give Consumers better value. These include Researched inputs to improve productivity, Research Value Analysis for economic purchase of materials, reducing waste through process Research, innovating waste utilisation to reduce cost, Industrial Personnel Research to avoid costs of industrial unrest, using economic sources and production planning with the aid of Operations Research, the QIS Service in factories aiding economic production with the aid of both static equipment as well as electronic inspection/detection systems and better coverage. A Pilot Industrial Engineering Research Cell has been set up in one factory and these will be extended. These various R & D inputs collectively assist lowering of cost providing better value for consumers.

E : FUTURE

As to the future, the Cigarette Industry has a vast potential. I plead that Government Policy achieve increasing Revenue with unleashing of growth within which every member of the Industry can prosper. Similarly, I predict that your Company's Export Division will continue to expand encouraged by the recognition as an Export House. The diversification project for setting up Hotels in Delhi, Agra and Madras has received Central Government clearance. In sanctioning this scheme Government has made favourable mention of the foreign exchange earnings that would accrue and also of the fact that ITC is eschewing any form of foreign collaboration. The delay of two years in obtaining sanction is unfortunate. Now, however, rapid steps are being taken for implementation of this project and construction work will commence shortly. The tourist inflow into India has been growing at a fast rate and the project will alleviate, to some extent, the shortage of hotel accommodation. The other active area of diversification is Marine Products. Your Company has for the past two years been engaged in exporting Marine Products with such success that within this short period of time it has emerged as one of the largest exporters in India in this line. Encouraged by this progress, your Company now proposes to expand its operations by setting up three processing factories and acquiring a fleet of trawlers. For techno-economic considerations, as well as to promote National Interest, it is proposed to locate the factories in backward areas. The necessary applications have been made to Government and clearance is expected shortly. The growth of the Marine Products Industry in India has been phenomenal, with exports increasing from Rs. 3 crores in 1962 to Rs. 60 crores in 1973. Given the proper inputs, this Industry has the potential of becoming one of the largest earners of foreign exchange for the country. Your Company has every confidence that it will be able to play an increasing role in the rapidly developing export field.

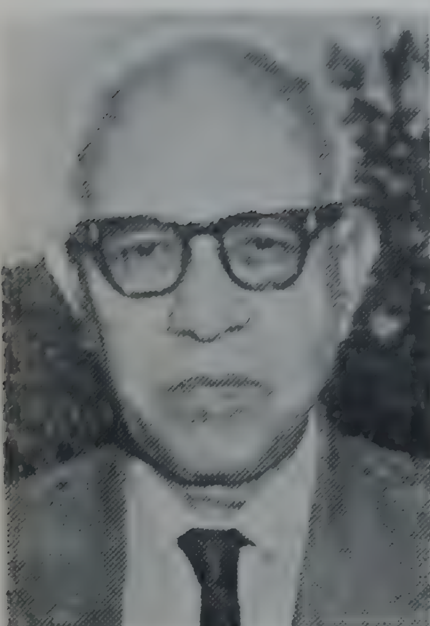
In conclusion, I have every hope and confidence in the future. With the freedom, which undoubtedly exists, to operate and grow within the parameters of Government policies and directions, I can see the ushering in of new economic dimensions for your Company. In this context, I am of the view that one of the main strengths of your Company lies in the sustained efforts of the Staff and Workmen, the goodwill of the trade and consumers, and the confidence of the Shareholders and I would like to thank them all for their continued support.

This does not purport to be a report of the proceedings of the Annual General Meeting.

SIMCO METERS LIMITED

TIRUCHIRAPALLI.

Chairman's Speech delivered by Sri S. Narayanaswamy, M.L.C., at the 12th Annual General Meeting of the Company held at Tiruchirapalli on the 11th August, 1973.



Sri S. Narayanaswamy, M.L.C., Chairman

Gentlemen,

It gives me immense pleasure to extend to all of you a warm welcome to the Twelfth Annual General Meeting of the Company. The Accounts for the year ended 31st March, 1973, have been circulated to you and, with your permission, I will take the Report and the Accounts as read.

The year 1972-73 has proved a difficult one for the company. The difficulties have been over and above those that can be ascribed merely to the power cut, where we have had every energy-using industry as our companion in distress. In the past, the most unpredictable factor for companies engaged in the supply of manufactured goods to public bodies like the Electricity Boards, was that the bodies which had ordered out materials and committed the companies to specific delivery schedules could not always keep to these time-tables for taking delivery or making payments. But, during the year under review, utility supply companies have had to reckon with paucity of enquiries or orders alongside of an effort to cancel subsisting orders with manufacturers in several instances. Believe me, it is not only the meter supplying companies that have had to stand up to this, but also several other industrial units which are engaged in similar lines of production.

At the beginning of the second half of the Accounting Year 1972-73, we had amber signals indicating the beginning of power cut, but the process of aggravation did not take too much time and, by February, 1973, industries found themselves facing a 75% power cut which left some with the marginal option to shut down. Companies whose manufactures are largely intended for Electricity Boards had to take the double punishment of a power cut that curtailed operations and a decline in the demand for goods manufactured by them. It is in this background that I request you to judge our performance during the year.

Among the factors that contributed to the decline in the offtake of energy meters must be mentioned the disturbed political conditions in Andhra Pradesh which affected our deliveries to the Electricity Board of that State. I am, however, glad to state that we have since received delivery orders for the balance quantity to be supplied to them, as to sister Electricity Boards.

I am also glad to say that we have been able to secure export orders from Ceylon for single-phase meters. Against this order, we expect to complete deliveries before the end of the current financial year.

In retrospect, our decision some four or five years ago to embark upon a diversification of our lines of manufacture with due regard to the performance pattern and capacity of our machines was, perhaps, the most sagacious one, taken by your Board of Directors. Indeed, you must have observed from the Report of the Directors to the Shareholders that the increased turnover on our sidelines by about 150% over last year accounted in the main for our being able to keep our earnings at level that not only enabled us to service our long-term loan obligations but also to maintain our dividend.

I have still great hopes that we shall have a revival of the demand for single-phase meters at economic prices while we ourselves have been engaged in fanning out into more sophisticated types. I am glad that we were the first company to obtain the Certification of the Indian Standards Institution for our polyphase meters while we have submitted our single-phase meters for similar recognition. Meantime, thanks to the fine work done by our Research and Development Division, the Whole Range Power Factor Meter has found commercial acceptability at the hands of the Electricity Boards and switchboard manufacturers. Indeed, we have received encouraging orders for this type of meter.

The development of our own brand of Maximum Demand Indicating Register is a significant step towards import substitution. The Maximum Demand Indicating Meter, with the domestically produced Register incorporated therein, is now undergoing rigorous tests.

The Research and Development Division has also produced prototypes of Professional Air Variable Capacitors to meet the exacting requirements of the Defence Services [...] from having successfully m[...] factured several highly so[...] ticated tools and electroni[...] controlled systems which [...] titute crucial items of im[...] substitution.

The Research and Dev[...] ment Division of our com[...] has more than justified its[...] production of prototypes w[...] have found wide acceptal[...] in the specialised market[...] which we have been cate[...] The amount transferre[...] Research and Developmen[...] of this year's revenue is a [...] over Rs. 3.70 lakhs, brin[...] the aggregate investment[...] Rs. 12.26 lakhs on this Div[...] which is approximately [...] over a third of the pai[...] capital of the Company. Fr[...] ly, your Board of Dire[...] did not bargain for short-[...] advantages from the outla[...] Research and Developmen[...] have accrued from this [...] sion. Indeed, this Division[...] functioned meaningfully t[...] the vacuum created, both[...] the decline in the demand[...] energy meters and the [...] economic prices at which f[...] competition would appea[...] have compelled many of [...] competitors to tender the[...] Electricity Boards.

It is only relevant to men[...] in passing that it does [...] appear sound policy for [...] tricity Boards to encou[...] offer of energy meters at[...] economic prices by ma[...] turers as in the long run, [...] only tend to drive those [...] engaged in meter manu[...] out of business, as inde[...] appears to have done in [...] ed cases.

Coming back to the [...] ed power cuts, with which [...] company has had to [...] your Board of Directors [...] felt it prudent to provi[...]

pany against a recurrence
ch cuts in future years and
accordingly, installed a 60
diesel set procured indige-
ly, to meet a part of our
gy requirements. Further-
e, we have placed orders
a 550 KVA diesel set to be
orted from the German
nocratic Republic. We ex-
this to be installed and
missioned before the end
he current Calendar Year.
arrangement, it is expect-
will free the company from
distress caused by shortfalls
upply from the State power
d.

everting to import substitution. I am glad to say that the old distrust of the domestically produced substitutes for highly complicated electrical and electronic devices by the Departments of Government and by industrial consumers like producers of radios and television sets is fast vanishing. This is what is likely to act as an incentive for stepping up our import substitution programmes in a robust manner. Your Board of Directors feel encouraged by the acceptance, after rigorous tests, of very many prototypes that emerge from our Development Division. This is what makes us look forward to the future of this company with confidence despite the persistently disheartening conditions in the conventional energy meter market.

I cannot fail to pay a tribute to the dynamism of our Managing Director, Sri R. Subbarayan, our Chief Executive, Sri S. Ranganathan and our Deputy Chief Executive, Mr. C. S. Ramachandran and the Senior and Junior Officers, both on our shop floor and in our Development Division, for the fine work they have put in during the year, which has enabled us not only to keep our earnings at reasonable levels but also to ensure that we go into pastures new and gainful.

Before closing I would like to place on record our deep sense of gratitude to our Bankers, Messrs. United Commercial Bank and The Kumbakonam City Union Bank Limited, for their continued support and assistance.

Gentlemen, I thank you for your forbearance. I now move for adoption of the Report and Accounts and, in doing so, I should be glad to answer any questions relating to the Annual Report and Accounts.

N.B. : This does not purport to be a record of the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

Supplementing farmers' income

FOUR INTERIM reports were submitted to Mr Fakhruddin Ali Ahmed, union minister of Agriculture, by Mr Nathu Ram Mirdha, chairman, National Commission on Agriculture, on August 16, 1973.

The reports dealt with:

(1) Reorientation of Programmes, of Small Farmers and Marginal Farmers and Agricultural Labourers Development Agencies;

(2) Poultry, Sheep and Pig production through small and marginal farmers and agricultural labourers for supplementing their income;

(3) Sericulture and

(4) Social Forestry.

The National Commission on Agriculture, which was set up by the government of India in August 1970, has already submitted 14 interim reports on different subjects.

In its interim report on Reorientation of Programmes of Small Farmers and Marginal Farmers and Agricultural Labourers Development Agencies, the commission has recommended that the distinction between SFDA and MFAL projects should be given up and in future each agency should have a compact area approach to cover the small farmers, marginal farmers and agricultural labourers in its area of operation.

The basic approach to the programme of small and marginal farmers should be to improve their crop production. Assistance would have to be directed towards development and utilisation of irrigation facilities, introduction of water harvesting techniques, land development and adoption of improved technology of farming both in irrigated and rainfed areas. In order to ensure a more equitable distribution of limited groundwater, considerable emphasis has been placed on group-owned well system and community irrigation, wherever possible, for the benefit of small and marginal farmers. Through consolidation, tion, the scattered holdings of small and marginal farmers are to be brought together to form compact blocks to enable preferential irrigation by the state governments.

The commission has suggested that state programmes of irrigation development should be undertaken in areas where surface water schemes or large-scale groundwater schemes are possible, so as to benefit substantially the small and marginal farmers. States would also be expected to take up on their own programmes of water harvesting, soil conservation, etc., in the rainfed areas on a substantial scale. In order that farmers can take to improved farming practices and necessary technical guidance is available to them, the strengthening by state governments of their extension network in the selected areas has been proposed. The report has suggested the formation of as many Farmers' Service Societies as possible (recommended in the Commission's Report on Credit Services for Small and Marginal Farmers and Agricultural Labourers) to make a beginning towards the development of an integrated credit structure.

The commission has recommended the extension of the programme to 160 agencies including the existing agencies and indicated the distribution of additional agencies among the states. Each agency on an average is supposed to cover 70,000 small and marginal farmers preferably in the ratio of 1:3 to conform to the all-India pattern and to ensure that the programme would have the necessary tilt in favour of marginal farmers who are more numerous. As a result of the extension of the programme, about 11 million small and marginal farmers are likely to be covered during the fifth Plan. In addition, the investment programme and the much more intensive crop production programme, both under irrigated and dry farming conditions would give increased opportunities to agricultural labourers Since crop production alone may not yield incomes sufficient to raise many small and marginal farmers above the minimum need level, the commission has suggested the superimposition of subsidiary occupation programmes to be undertaken and financed separately on a substantial scale in such of the agency areas which have been included in the list of districts identified for individual subsidiary occupations in its Interim Reports on Milk Production, Poultry, Sheep and Pig Production and on Sericulture. It has been recommended that the entire programme should be time-bound and target-oriented and implemented with a sense of urgency.

The commission has estimated that a sum of Rs 241 crores would be required in the central sector of the fifth Plan for this programme. It has recommended that in future, the state government should bear the cost of staff subsidy to institutions and the cost of staff of the agency, the staff of the Farmer's Service Societies and additional extension staff of the state gove[rnment] in the project area cost[ing in] all Rs 40 crores over th[e] Plan period. The comm[ission] has recommended the [conti]nuance of the subsid[y] per cent of the cost of [invest]ment to small farmer[s] 33/1 per cent to ma[rginal] farmers; at the same t[ime] has suggested certain mo[difica]tions in the pattern o[f] fund subsidies being [given] under MFAL SFDA sche[mes].

The report on Poultry, [Sheep] and Pig Production th[rough] Small and Marginal Fa[rmers] and Agricultural Lab[ourers] deals with the need an[d] augmenting the productio[n of] eggs, and poultry, mutto[n,] wool, and pork and pork [pro]ducts by harnessing and de[velop]ing the facilities available [with] the small and marginal fa[rmers] and agricultural labourer[s.] has been observed that [live]stock rearing has rem[ained] mainly as a byeproduct in[dustry] of the rural areas i[n the] country and it is practi[sed as] a mixed farming comple[x] along with crop productio[n.]

Most of the people en[gaged] in raising poultry, sheep [and] pigs in the rural areas b[elong] to the category of small [and] marginal farmers and ag[ricul]tural labourers. The com[mis]sion feels that improveme[nt in] the productivity of live[stock] such as poultry, sheep and [pigs] and their raising th[rough] weaker section of the po[pula]tion can be relied upon [as a] major instrument for effe[cting] social change by improvin[g the] income of these people. [Such] a development would also [have] great potentiality for prov[iding] employment to the prod[ucers] and their family members [and] also to a number of v[illage] artisans. Increased produ[ction] of animal products suc[h as] eggs, poultry, meat, m[utton] and pork in the rural [areas] would also lead to in[creased] home consumption of [these] products by the pr[oducers] thus ensuring better nu[trition] to these people. It has [been] recommended that the[se de]velopment programmes s[hould] be formulated on a p[ackage] basis providing for a[ll ...] such as better breeding, feeding, proper ma[nagement,] disease control, credit ...

s such as extension, re-
erative markeing and other
ities.

he commission has recom-
ded that while formulating size of the poultry pro-
mme in each district not due consideration should given to marketing facilities it should also be ensured as large a number of fami- as possible would be bene-
d. Each selected family uld be assisted to start a ltry unit of 50 layers and t in each district at least 00 families of small and rginal farmers and agricul-
al labourers should be identi- and enrolled under the gramme which should be en up in 157 districts cover- about five lakh families.

Programmes have been sug-
ted for sheep development improving the quality and ductivity of sheep in regard wool and mutton produc-
n by the small and marginal ners and agricultural la-
rers. This is proposed to obtained by gradual re-
cement of indigenous types sheep with these people by ssbred progenies having tic inheritance produced by farmers themselves and/or a limited extent by supply crossbred ewes and rams n other sources.

One hundred and forty dist-
s have been recommended be taken up for the sheep elopment programme, at t 3,000 families being assis- in each district. This would over four lakh familitis.

he commission has drawn ntion to the fact that pig ping is mainly in the hands he backward communities with tribals and that such breeders deserve special stance for improving their rearing practices. It has mmended that the main k for improving the eco- y of pig producers should he replacement of indigen- pigs by crossbred pigs, luced mainly by the bree- themselves. It has been posed that about 2,000 fami- of pig farmers should be ted in each district and pig production pro-
mmes should be undertaken in about 100 districts which will help about two lakh families to improve their economic status.

For the production and supply of crossbred poultry, sheep and pigs to participant farmers and agricultural labourers, the commission has emphasised that intensive crossbreeding schemes should be implemented in selected areas where such work has already been found popular and successful. It has also suggested that the farmers selected for these poultry, sheep and pig development programmes should be extended subsidy to meet the costs of capital expenditure such as purchase of stock, rearing upto production stage, housing, equipments, etc. A total subsidy of Rs 71.40 crores has been indicated during the fifth Plan period.

The commission has laid special emphasis on organising these programmes on co-operative basis mainly consisting of producers belonging to small and marginal farmers and agricultural labourers. In view of their backwardness and low economic status, it has been recommended that government and the credit agencies should liberalise the terms of financial assistance in the form of loans.

The Iterim Report on Sericulture deals with development of mulberry silk which accounts for about 79 per cent of the total silk production in the country and is concentrated in Mysore, West Bengal, Jammu and Kashmir and Uttar Pradesh. The commission has suggested a plan of action and identified certain districts for the development of sericulture in these major silk producing states as a first step towards modernising the sericulture industry, particularly keeping in view its beneficial impact on the economy of small and marginal farmers.

The commission has recommended that instead of relying on the development of sericulture based on local races, a phased programme should be taken up for the introduction of bivoltine hybrids in the irrigated mulberry areas of Mysore, particularly Kolar

and Chennapatna, where the method of rearing bivoltine hybrids developed by the Central Sericultural Research and Training Institute could be followed.

The entire area under sericulture in Mysore has been proposed to be covered during the fifth Plan with the package of practices including new methods of leaf chopping, etc., developed by the central institute as these lead to less mortality of silk worms and a higher cocoon to leaf ratio. Further, co-operative chawkie rearing-cum-reeling units have been suggested in the villages where there are large groups of rearers. For raising mulberry under irrigated conditions, the commission has recommended that small and marginal farmers be given 25 per cent central subsidy on digging of wells under the Sericulture Development Programme to be financed by the Central Silk Board.

A crash programme has been recommended in West Bengal to test the suitability of heat resistant strains developed by the Central Research Station, Berhampore, for their introduction on a wide scale through a phased extension programme. With the evolution of new races, the farmers could get four crops consisting of two local and two bivoltine races in a year against four crops of local races at present. Considering the scope for taking up mulberry cultivation under irrigated conditions in the districts of Bankura, Purulia and Birhum, the commission has emphasised that pilot field stations of the Berhampore Central Research Station type be set up in these districts to establish the suitability of mulberry cultivation and explore the possibility of introduction of bivoltine hybrids.

Jammu and Kashmir state is concentrating on univoltine races which give only one brood per year. The commission has emphasised the need to undertake suitable research to identify the races or strains which can be introduced in the state so as to raise three broods in a year. In order that the three-brood programme is adequately supported by a bush mulberry programme, surveys have been suggested to identify suitable areas in the Karewas in Kashmir Valley as also in Jammu.

In regard to Uttar Pradesh, it has been considered desirable to introduce bush mulberry provided the number of broods can be increased to at least three against two at present in a year. For this purpose, immediate steps to carry out applied research, as also to develop bivoltine hybrids suited to the area in the state, have been suggested.

The commission has felt that the entire process starting from the raising of mulberry to the disposal of the raw silk should be taken up on an integrated basis for the purposes of credit support and for developing an economically viable programme of sericulture. It has indicated that for achieving best results, functional co-operatives will have to be organised, which should get their finance from a single source for the entire chain of operations.

Endorsing the recommendation of the Price Stabilisation Committee set up by the Central Silk Board for a Raw Material Bank at the central level with regional banks in the major silk producing states to ensure a fair price to the primary producer and sppply of raw silk to the consumer at a stable price, the commission has recommended that the Central Silk Board should assist in financing the operations of the regional banks as also in the setting up of the chain of testing houses required to operate the price stabilisation system.

Employment potential in silk industry at the end of 1978-79 at the all-India level is estimated at four million, of which rural activities are expected to account for three million. A quick survey to collect more reliable estimates of employment in the silk industry has been suggested in silk producing states.

The Interim Report on Social Forestry deals with farm forestry, extension forestry, re-forestation in the graded forests and recreation forestry and has suggested an action programme during the fifth Plan. The programme is designed to bring social benefits to the population in the form of increased supply of fuelwood (thereby releasing cowdung for manure), small timber and fodder as well as of recreational facilities.

The commission has recommended extensive plantation on the bunds and boundaries of the fields of the farmers for which the forest extension units would develop the nurseries for the supply of seedling. A pilot scheme for development of farm forestry has been recommended to be taken up in the central sector in 100 selected districts — 60 districts in areas with advanced agriculture where fuelwood and timber are scarce and 40 in dry and arid zones.

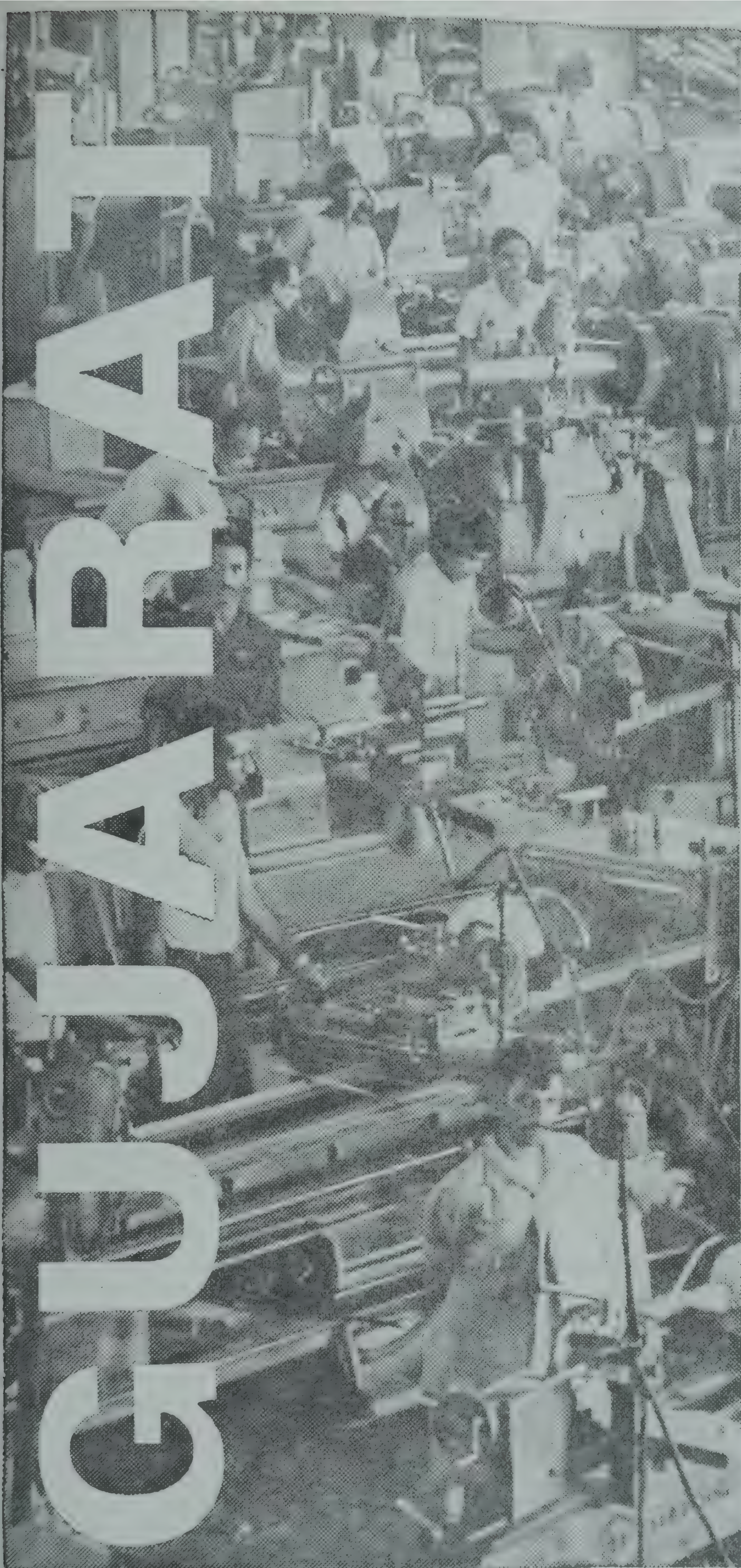
Mixed forestry has been proposed to be taken up on waste lands, panchayat lands and village commons in drought prone areas for which a survey of waste lands and village panchayat lands has been proposed for preparing land-use plans based on a village or a group of village as a unit. Development of fodder and grass is to be an important component of mixed forestry so as to increase their supply and benefit the weaker sections of the population who may be encouraged to take up animal husbandry programmes. Emphasis has, therefore, been placed on the organised production and distribution of seed involving local farmers. The commission has proposed that an area of one lakh hectares should be covered through pilot projects of mixed forestry in the central sector.

With a view to preventing damage to agricultural crops, agricultural lands, roads, etc. through wind erosion, the commission has suggested the establishment of shelter belts in hot and arid areas. The programme is to cover one lakh hectares distributed among the states of Haryana, Punjab, Rajasthan, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh, Mysore and Maharashtra with 50 per cent central assistance. In addition, the commission has recommended plant[illegible] trees on lands on the [illegible] roads, canal banks and [illegible] way lines as a commer[illegible] vestment with an annual [illegible] of not less than 8,000 [illegible] planting. Moreover, three l[illegible] hectares have been propo[illegible] to be covered by re-forestat[illegible] programmes in degraded for[illegible] with a view to increasing [illegible] supply of fuelwood and [illegible] timber and preventing un[illegible] thorised removal from [illegible] easing the pressure on [illegible] able commercial forests. [illegible] supply fuelwood and small t[illegible] ber for agricultural impleme[illegible] at fair rates, state subsidy [illegible] been proposed for the [illegible] 15 to 20 years.

The commission has adv[illegible] that the state governm[illegible] should make a study of [illegible] problem of recreational ne[illegible] of the urban areas and de[illegible] cate some forests or estab[illegible] tree groves near such areas [illegible] recreational purposes. Mo[illegible] over, green belts, around tow[illegible] and cities, wherever necessa[illegible] should also be created.

The commission has [illegible] considerable emphasis on a[illegible] ropriate training in extens[illegible] methodology and technol[illegible] for officers selected for [illegible] plementing the progam[illegible] Agricultural universities [illegible] also to include in their sylla[illegible] a course in social forestry [illegible] the agricultural graduates. [illegible] large number of field demons[illegible] tions with the participat[illegible] of panchayats, co-operat[illegible] and village school staff h[illegible] been suggested for popu[illegible] ising social forestry. F[illegible] assistants are proposed to [illegible] recruited from the local pe[illegible] in the programme areas to [illegible] cure involvement of villag[illegible] The commission also rec[illegible] mends that all social fore[illegible] programmes should be ex[illegible] ted by engaging local la[illegible] and not through contract [illegible] tem.

For implementing the [illegible] grammes during the fifth P[illegible] a total expenditure of Rs [illegible] crores is visualised incl[illegible] the cost of extension orga[illegible] tion, research and survey [illegible] share of the central govern[illegible] has been estimated at Rs [illegible] crores.



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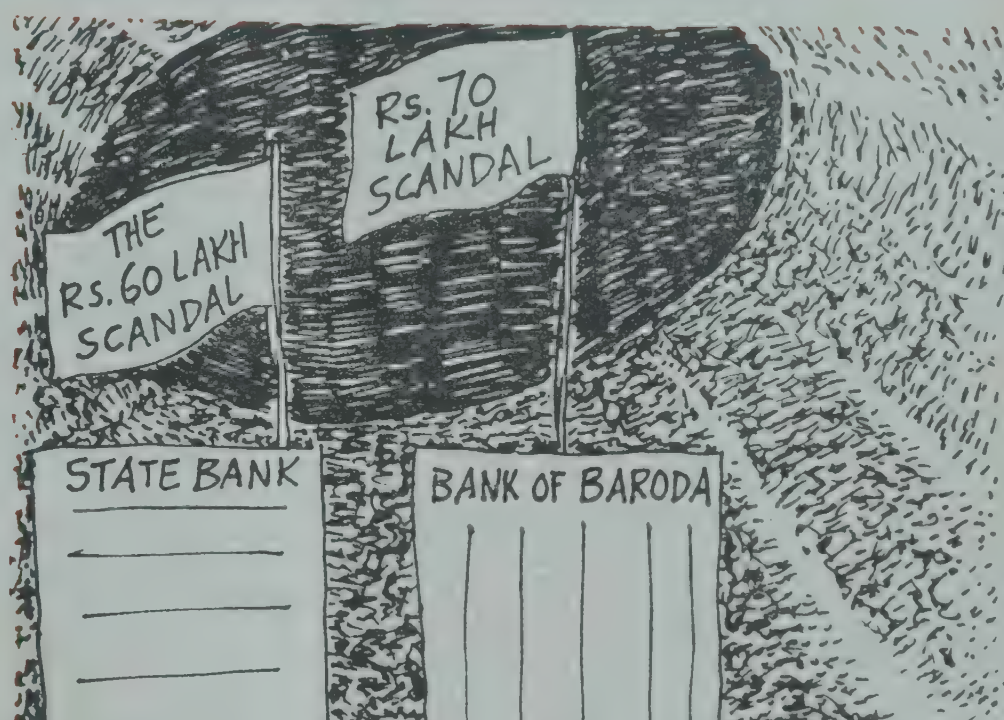

On trial : which or who?

THE PRIME MINISTER recently asked her countrymen to be on guard against what she alleged to be attempts made by her political opponents or other critics to exploit the current economic crisis as a means of discrediting her socialist policies. It is strange that Mrs Gandhi should be so insensitive he fact that. critics or no critics, she herself owes it to her fellow citizens to re-examine policies in the light of what are seen to be their adverse consequences to the nation. n if some part of the economic difficulties of the people could be attributed to last r's drought or the price this country must pay for its involvement in the Bangladesh ggle. it would still remain very much true that its economic condition would be far rse in the next two or three years than it has been in the last two or three unless re is a basic change in the central government's policies for industry, trade or iculture.

Taking agriculture first, the farming community needs to be reassured that its legiate commercial interests will not be trifled with again and again. The attempted e-over of the wholesale trade in wheat has been more than a fiasco; it has been a tray. It has subjected the public to hardships not warranted by the true situation with ard to the availability of foodgrains in the country and it has spread confusion and certainty among the farming community with regard to the marketing of farm produce the future profitability of farm operations. It is no secret that the cabinet has been ided all along over this issue of the take-over of the wholesale trade in foodgrains or t quite a few chief ministers had remained sceptical about the wisdom of the step even l past the zero hour. Indeed the impression in the country is that the prime minister rself has come to feel that she has been sold a pup by the protagonists of the project in cabinet or her party.

Mrs Gandhi is indeed most unenviably situated. She cannot delay much longer ing a decision on trading in the new rice crop. She knows of course that the chief nisters of the rice-producing states are opposed to the blunder made in the *rabi* season ng repeated in the *kharif* season. It has therefore become impossible for her not to t a retreat on the government's food policy front. Rice, therefore, is unlikely to be ltreated as wheat has been. The taking over by the government of the wholesale de is thus unlikely to be extended to rice. This, however, is in the nature of a limited od for the prime minister's vanity will certainly prevent her from admitting honestly and the government's mistake, which means that there is going to be a strenuous empt to pretend that the basic food policy has not changed and that the government's ective still remains the organization of a public distribution system provisioned by the ionalization of the wholesale trade in foodgrains. Consequently, so far as the farm- community is concerned, its fears and anxieties will continue as a more or less manent nightmare inhibiting investment in or the growth of the production of dgrains. What is therefore needed in the country's interest is that the government uld candidly state that its attempt to take over the foodgrain trade has failed, that s approach is therefore being given up once for all and that, in the future, it would be government's policy to supplement the normal trade channels by flexible levy angements for the procurement of foodgrains from farmers for the running of fair ce shops for the benefit of low income groups in urban areas. It is now for Mrs ndhi to decide whether she is going to adopt this common sense approach or continue make a fetish of her so-called socialist policies which have hurt the common n and his wife and children even more than it has hurt the country's economic wth.

In the industrial sphere again, it has become equally important that the government uld recognize and act on the truth that it has made mistakes and must now cease king many more such mistakes. Whatever may have been their short-term uses, regulations and restrictions imposed from time to time on the operation of existing ustries, the diversification of their production or the expansion of their capacities, e been found to have promoted over a period high costs, low productivity, absence or dequacy of competition and a tendency towards obsolescence and stagnation. The trols placed on the starting of new industries have contributed to these ills in even ger measure. Worse still, the negative and restrictive impact of the government's icy framework for industry has discouraged domestic saving and investment and strated the flow of supplementary foreign capital.

Although these or other deficiencies and defects in the government's policy are not original contribution of Mrs Gandhi's administration, they have certainly become

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more ubiquitous, obstructive and injurious over the last four years. As a result, the country has demonstrably lost the race towards the goals of economic self-reliance and prosperity to many other developing countries. Its own poor have increased in number as well as sunk deeper in poverty. A recent appraisal of the statistical literature available on the subject of poverty in this country has led to the estimate that, with Rs 15 *per capita* per month at 1960-61 prices defining the rural poverty line, the percentage of rural people below that level had increased from 38 in 1960-61 to 54 in 1968-69 and, with Rs 18 as the comparable figure for the urban poverty line, the percentage of urban people below that level had increased from 32 to 41 in the same period. Tragic developments of this kind in the material conditions of the Indian people challenge the morality and wisdom of the government's so-called socialist policies even more stridently than the denunciations of the prime minister's political opponents or the criticisms of those who believe that it is the government's management of the economy rather than the socialism which it wears on its sleeves that is now really on trial.

Planning for the busy season

THE RESERVE Bank's calculations of a squeeze in the money market with heavy expansion of credit for procurement operations, a continuing increase in advances to industry and trade and large-scale borrowing by the central government have gone so seriously wrong that it has been obliged to institute new measures for preventing the excess liquidity of the banking system being exploited for unproductive purposes. It would appear, however, that the monetary authorities are convinced about the need for adopting physical controls rather than disincentives in the shape of higher interest rates for curtailing credit expansion on government account and for use by borrowers in the private sector. This kind of thinking should have been responsible for the absence of many changes in the terms of loans of the central and state governments and public bodies.

In veiw of the extremely difficult ways and means position of the state governments, the Reserve Bank has permitted them to raise a record net amount which is likely to be Rs 165 crores, as stated already. It is doubtful, however, whether this large borrowing will enable the state governments to reduce their uncovered deficits unless it is decided to restrict expenditure on Plan and non-Plan accounts. Immediately, the proceeds of the new loans may be utilised for wiping out some of the loans taken from the central government in recent weeks and eliminating also unauthorised borrowing from the Reserve Bank. If this procedure is adopted the states may not derive any tangible advantage out of their open market loans. In view also of the anxiety of the Reserve Bank to prevent excessive spending by the centre on account of states, contractionist forces may be in operation for some time. This kind of approach to outstanding problems and a sincere desire to reduce the money supply with the public should have been responsible for the latest decision of the governor of the Reserve Bank to raise again the cash reserve ratio to seven per cent.

This directive to the scheduled commercial banks is to be observed in two stages, the ratio being raised to six per cent by September 8, 1973, and to seven per cent by September 22, 1973. The central banking institution is clearly of the feeling the no obstacle should be created in the way of member banks for putting in subscriptions to the state loans. The lending institutions will not suffer any serious disability on account of the diversion of funds to the extent of Rs 165 crores through state loans because deposits have latterly been growing at the rate of Rs 190 crores monthly, it being indicated in the letter of the governor of the Reserve Bank to the chief executives of member banks that deposits had risen by Rs 574 crores in the current slack season up to August 3, 1973. As there was no net sizable expansion of credit in the same period with the failure of procurement operations, the banking system has not experienced any major difficulty as a result of the completion of the first two stages of borrowing of the central government which enabled the target for the year to be exceeded by nearly Rs 30 crores. The impounding of cash balances of Rs 220 crores additionally on June 29 under the first directive has not also prevented banks from subscribing to the central loans and keeping down borrowings at the same time from the Reserve Bank at a very low level.

It is now probably expected that the scheduled commercial banks will have sizable resources at their disposal even after the state loans have been oversubscribed and the public bodies have raised freshly Rs 100 crores in the next few weeks with issues of their bonds. Assuming that the accumulation of surplus resources in August with banks will take care of the needs of the state governments, the fresh additions to deposits and contraction in advances in September a... siphoned off by the Reserve Bank ... form of additional cash balances ... the revised cash reserve ratio.

The question is whether the R... Bank will strictly immobilise th... balances and prevent them from b... used by the central government for ... celling ad hoc securities or avoiding ... deficits. It has been claimed that the ... jective is to sterilise cash balances fr... maintained under the enhanced re... ratio for an aggregate of Rs 450 cr... In this event, there should be a big ... in other assets or under different h... which will not require investment ... treasury bills. It will be interesting to ... out how these operations will be car... out in September and whether t... will be a significant contraction ... currency in the coming weeks. If ... Reserve Bank persists in its present p... and the state electricity boards and ... statutory financial corporations r... as much as Rs 100 crores through b... before the end of October and if the ... serve Bank does not contemplate any ... vision of its credit policy, the banking s... tem might like to invest the released fu... in treasury bills temporarily so that t... can be discounted whenever there ... big spurt in advances in the next b... season.

It is unlikely, however, that an ... manageable situation will arise before A... next year though the Reserve Bank ... have to be prepared for a liberal use ... refinance facilities if large-scale procu... ment operations are to be carried ... with bumper kharif harvest. It is a... not known what will be the policy ado... ed by the government for financing cos... imported foodgrains. If there are ad... tions to buffer stocks before March n... year by three million tonnes which requ... an investment of Rs 250 crores and th... is also expansion of credit to indus... and trade for meeting seasonal nee... some difficulty may be experienc... in February-March, 1974. In a sev... month period ending April, 1974, ... growth in deposits may amount to ... 1,000 crores while the issue of bonds ... public bodies may absorb Rs 100 cro... and seasonal and procurement credit ... pansion Rs 900 crores. It may be t... there will be no large compulsion to ... vest in government and approved secu... ties for complying with a higher liqu... ratio. However, if the net liquidity ra... is maintained at the high level of 40 ... cent, a member banks may be compelled ... borrow on a penal basis from the le... as a last resort.

It is here that the monetary auth... ties should adopt a pragmatic appro...

hile it should certainly make it difficult r the central and state governments to ntinue to spend large amounts in an unanned manner, no harm will be caused the economy by liberalising refinance cilities for procurement purposes or for aintaining larger stocks of sugar. The test indications suggest that the output sugar in the 1973-74 season can easily nge between 4.5 and 4.7 million tonnes. these expectations turn out to be rrect, the availability of sugar may be en 4.5 million tonnes in the first half of e next crushing season against which e offtake for internal consumtion and port may not exceed 2.1 million nnes.

This would mean that sugar stocks one will increase by 1.5 million tonnes lling for an outlay of over Rs 250 crores. ne monetary authorities should plan advance for the maintenance of large gar and jute stocks with the creation of itable machinery and the provision of beral credit. The sugar mills will surely apress on the government the need for aintaining buffer stocks in excess of rmal requirements. Granting that the itput will be a minimum of 4.5 million nnes in 1973-74 and consumption will t exceed 3.8 million tonnes, the government may have to maintain buffer stocks its own account to the extent of 0,000 tonnes if exports are not increas significantly. It is assumed that the dustry will maintain stocks of eight lakh nnes on its own account. Any repetition the mistakes of 1969-70 will result again a chaotic situation and cause needless rdship to the industry, growers and nsumers.

Given a correct understanding of the w problems of the next busy season d restraint in government spending e inflationery spiral can be checked ough there can be a definite reversal of e upward trend in prices only if there a significant increase in agricultural d industrial production and there is setback in 1974-75. The Reserve Bank n bring the situation under effective ntrol if it persists in its present line of inking and the government also agrees make discriminating use of available sources. After the sad experience of recent months the new policies that will be pursued by the Reserve Bank henceforth should be logical and effective with a ready disposition to make suitabl changes in the light of favourable deve lopments.

The truth about cement shortage

IN ANSWER to a question in the Lok Sobha on August 22, the minister of Industrial Development and Science and Technology, Mr C. Subramaniam, is reported to have said that the government had proposed an outlay of Rs 564 crores for industrial projects in the fifth five-year Plan period which would include six new cement plants in the public sector. All these plants would be established by the Cement Corporation of India (CCI). The highest capacity at 600,000 tonnes would be of the unit at Akaltara followed by four plants of 400,000 tonnes capacity each at Neemuch, Yerraguntla, Tandur and Adilabad. The capacity of the unit at Kurkunta is proposed to be expanded from 200,000 tonnes to 400,000 tonnes a year. Besides these units, the government has currently under consideration the establishment of a new unit at Baruwala with a capacity of 400,000 (or 500,000) tonnes while the Dalla plant is proposed to be expanded from a capacity of 368,000 tonnes to 800,000 tonnes a year. In this way, the government i keen to extend cement capacity in th public sector by nearly four million tonne during the next Plan period.

This decision of the government i largely prompted by ideological conside rations because if the working results o the CCI are studied, it would be foun that this public sector undertaking ha neither the competence nor the financia skill to run cement plants on commercia lines. While in 1970-71, it incurred a los of Rs 34.4 lakhs, it barely balanced it income and expenditure in 1971-72 wit a nominal profit of Rs 2.1 lakhs. Its firs unit at Mandhar (MP) worked for a ful year for the first time in 1971-72 as it wa completed in July 1970. The high capita cost of the unit coupled with low utilise capacity at 82 per cent—as against 90 pe cent in many of the private sector plant —and control on the retention price o cement were responsible for the failure o the CCI to get a fair return on its capita employed.

The total increase in capacity planne by the government for the next Plan pe riod being 12 million tonnes, it had n option but to seek the assistance of th private sector also in this regard. I

Eastern Economist 30 Years Ago

SEPT. 3, 1943

Although India is richly endowed with the varied mineral resources essential for economic development, their scientific exploitation is imperfect and incommensurate with the growing demands of her rapidly developing domestic industries. Her vast treasure lie still embedded and hidden under the earth, awaiting survey and development. The Geological Survey of India insufficiently staffed and poorly endowed have not been able to survey the whole country, and entire areas in Eastern Ghats, the Eastern States Agency and Assam have never yet been visited by any geologist, while large tracts of Madras, Bihar, Orissa and Central India have had only a cursor examination some decades ago. As in other field so in geological survey the war found India un prepared with the result that scarcity of essentia minerals (e.g. sulphur) has arrested progress. Th Government's neglect of a thorough and compre hensive survey of mineral resources of the countr is criminal and incomprehensible, but there wa some compensation in the situation, as these re sources can be developed by Indians under mor favourable circumstances after the war when it i hoped there will be National Government in th country.

has therefore issued licences to a number of private sector companies either to set up new units or to expand the capacities of old ones. In this process, two healthy trends have been revealed. First, the decision has been taken to allow the larger business houses to participate in this national task. Second, some of the old schemes which had been rejected, have now been revived. The government has thus shown that it is fully alive to the necessity of creating additional capacity in this industry without which the construction programmes in the coming years would be seriously hurt. However, its excessive reliance on the CCI is likely to cost the country dearly. As stated earlier, not only the cost of plants put up by it would be high; these plants would not be run efficiently. With large unutilised capacities, its financial results are bound to lead it to heavy losses.

The present shortage of cement in the country is basically due to the imbalance between demand and supply. Even though cement output has risen from 12.2 million tonnes in 1968-69 to 15.6 million tonnes (estimated) production in 1972-73, the gap between demand and supply has continued to widen. At best, 1973-74—the last year of the fourth five-year Plan period—would see production rise to no more than 16 million tonnes. The fourth five-year Plan document had estimated that the demand for cement in the last year of the Plan period would be around 21 million tonnes for which capacity of nearly 23 million tonnes was required on the assumption that only 85 per cent of the capacity would be utilised. Presently the country has been able to raise installed capacity of cement to 20 million tonnes but because of utilisaton at no more than 80 per cent, cement production has been below 16 million tonnes in 1972. It means that the shortage of cement would continue for a couple of years more.

In 1972, the output of cement at 15.7 million tonnes was lower than the total estimated demand at 18 million tonnes. Consequently, construction activity in the country received a setback. In the current year, the demand for cement is reported to have increased by another ten per cent while production may be only slightly higher than the level attained last year because of the frequent cuts in power in most of the states and the reduced availability of coal arising from the transport bottleneck. The manufacturers do have the option of using fuel oil in place of coal or power but it would lead to increase in cost which would not be reimbursed to the industry owing to the control on the retention price.

As the power situation in several parts of the country has improved in recent months, this constraint on the cement industry has, by and large, been eliminated. It is the coal famine which is hurting the cement units severely at present. There is no doubt that the government has fixed quotas for coal for all the cement units, the difficulty lies in the fact that these units have not been receiving the requisite quantities of fuel because of the transport bottleneck. Moreover, in some individual cases hardship has been caused by the fact that the quota fixed by the government is not adequate. According to the statistics of cement production till June this year, total output in the first half of the current year was less than the production in the corresponding period last year. No wonder that the free market price of cement is higher by more than 100 per cent than the controlled price.

Mere issuing of licences to the pri[illegible] sector companies for the establishment [illegible] cement plants will not result in the cr[illegible] tion of new capacity. The government has to take a decision about the ex-wo[illegible] prices of cement which have remained u[illegible] changed for nearly four years despite t[illegible] fact that the cost per tonne of cement h[illegible] increased substantially. It is this fau[illegible] policy in regard to the fixation of rete[illegible] tion prices which has so far slowed do[illegible] the progress of this industry. The capi[illegible] cost of new units has also increased sig[illegible] ficantly as clearly demonstrated by t[illegible] plant put up by the CCI. To draw capi[illegible] to an industry which promises a relative[illegible] poor return is not an easy job. If t[illegible] government is really keen to see the com[illegible] ing up of new units in this industry, [illegible] must take an early decision in regard [illegible] the increase in the retention prices. M[illegible] be, at present it is hesitant to take su[illegible] a step in view of the all-round inflatio[illegible] ary rise in prices but it should not be fo[illegible] gotten that such a situation encourag[illegible] malpractices and ultimately retards th[illegible] growth of the industry. The decision [illegible] raise the retention prices of cement ca[illegible] not be postponed for too long.

POINTS OF VIEW

ndia, the golden bird

Radhakrishna Birla

ERE WAS a time when India was called 'Golden Bird'. We get some idea in Vedas and the Upanishadas of since en gold has been known in India and v plentifully it was available. In *ntra* 15 of Chapter 40 of the Yajur-a, which is known as the Ishavasyo-ishada or the Ishopanishada also, find an expression 'utensil of gold'. e mantra is—

'हिरण्मयेन पात्रेण सत्यस्यापिहितं मुखम् ।
तत् त्वं पुषन्नपावृणु सत्यधर्माय दृष्टये ।।"

shall not go into the spiritual import the *mantra* here but confine myself to expression 'हिरण्मयेन पात्रेण' utensil de of gold). This metaphor clearly ws that in the Vedic period gold was re in India and even utensils were made it.

he question naturally arises how old above reference to gold is. According the Sanatana Hindu Dharma 'the Vedas the divine knowledge which was re-led in the hearts of the 'rishis' at the inning of the creation. The western olars, among whom the German scho-Frederick Maxmuller is the most not-e, date the Vedas about eight to ten usand years BC. This means that gold been in use in India for about ten to lve thousand years.

ailable plentifully

nd now we come to the question of its ndance, i.e. how plentifully gold was ilable in ancient India. The Upani-das speak of thousands of cows with d-plated horns in possession of the est-dwelling '*rishis*'. If the hermits ld have gold in such abundance, then d in possession of the Rajas, Maha-as and the Chakravarti Emperors, ose kingdom stretched right upto the -shore, can only be imagined.

n the Ramayana age, a labourer in odhya used to get at least one gold n as his daily wage. (Ayodhyakand the *Valmiki Ramayana*).

It was but natural that man's attention ould have been attracted by the glitter this yellow metal present in the stones attered on the earth's surface. Till 16 it was known as the 'noble metal'

> These are extracts from Mr R.K. Birla's autobiographical account "Recalling the Forgotten Past". Written in Hindi, these memoirs have an interesting 'period' flavour and also a much contemporary substance. Published by Mr Harshavardhan Birla, "Happy Villa", Maqbul Road, Amritsar, it is priced at Rs 25.

only because not only air and water but even acids had no effect on it. The gold coins retrieved from a ship sunk in the sea 200 years ago had the brilliance of new coins.

In 1861, another reason for gold being the 'noble metal' came to the fore. This was not a metallurgical but an economic reason. Later, on account of other economic factors, its official importance went on increasing gradually. In 1816, Britain adopted the 'gold standard' for economic transactions.

India was called the 'Golden Bird' only because gold was available in plenty here. Let us not talk of the periods of which we have no properly written history. But take the Moghul Emperor Jahangir's period. I shall state here some facts from Jahangir's diary (Tuzak-e-Jahangir or the Jahangir Nama).

After coming to the throne on october 24, 1605, Jahangir issued coins in his name. Can you imagine what could have been the maximum weight of the gold coins issued by Jahangir in his name? One tolas? Two tolas? Five tolas? Ten tolas? No. The gold coins issued by Jahangir included coins weighing as much as fifty and even a hundred tolas. The names and weights of the gold coins issued by him are given alongside.

Apart from the above coins which were in circulation, Jahangir used to have weightier coins issued on special occasions. For instance, when the Iranian Ambassador, Yadgar Ali, visited India, Jahangir presented him with a 1,000-tola gold coin. When he conquered the Khambhat Pradesh, he issued the 'gold takas', i.e., coins twice the weight of common coins, to celebrate the victory.

The old utensils alone in the possession of Jahangir's son, Shahjahan, weighed 25 tonnes i.e., about 700 maunds. What was his possession of gold coins and gold is best left to imagination. It is said, however, that his gold store-room was more than a hundred feet long.

How and where from this huge quantity of gold was coming to India is a mystery. This mystery deepens still further when we see that the total annual output of gold in India is a mere three tonnes. And then, we have only one goldfield in India--- the Kolar goldfield in Mysore. The presence of gold in this field is so meagre that it is running in a loss.

mountain of gold

Well, did we then really have the Sumeru mountain where gold was found in plenty? Or were there alchemists who could turn base metals into gold? Or did we have persons endowed with supernatural powers who could produce gold by incantation?

The modern world has, of course, no use for all this speculation and it is very probable that this may all be nothing but sheer nonsense. But then what is the explanation to the question from where gold had come in such plenty to India? Will some reader please send me an analytical answer to this? I shall be grateful.

Gold is a very malleable and ductile metal. Just one ounce (½ chhatank) of

Jahangiri Gold Coins

Weight	Name
100 tolas	Noor-Sultani
50 tolas	Noor-Shahi
20 tolas	Noor-Daulat
10 tolas	Noor-Qaram
5 tolas	Noor-Mehar
1 tola	Noor-Jahani
½ tola	Noorani
¼ tola	Riwaji*

*Riwaji means a coin commonly in use

gold can be beaten into such a thin leaf that it could cover space of 100 feetx100 feet space. Just this quantity of gold can be stretched into a 50 mile long wire. This is why this metal is the best suited—besides being attractive — for making ornaments.

In the modern age, upto 1816, gold was primarily used only for making ornaments. The reason was that its production was not plentiful enough to permit coins or other things being made of it.

Around this very time i.e., around the beginning of the 19th century, gold output in South Africa, Brazil, Australia, California, Russia etc., started to grow, and in the 100 years from 1800 to 1900, gold production was higher than the total output of the past 5,000 years. But even this was only the beginning. Two thirds of the total gold in the world today has been produced during the last 40 years.

When gold became available in plenty, Britain adopted the gold standard for its economic transactions. This meant that the British government would deposit in the state bank, i.e., the Bank of England, gold equal to the value of the paper and sterling printed by it. To do this, Britain used to buy every year two-thirds of the total gold produced in the world and on the strength of this Britain reigned supreme as the 'gold king' of the world for more than a hundred years. But, in the first world war between 1914 and 1918, Britain could not save its £. To save its gold, it had to sever the £ from gold. Consequently, the £ lost its value which was an event of international importance.

US to the fore

By this time the United States had accummulated two-thirds of the world's gold. All the nations of the world were indebted to it. The European countries alone owed 10,000 million dollars. This made New York the economic capital and the United States the 'Gold King' of the world. Gold and dollar became synonyms and dollar became as good a possession as gold. In 1934, the US exchequer fixed the gold price in dollars—an ounce of gold was priced at 35 dollars. The US government became bound to buy and sell gold at this price. The paper dollar thus came to be treated as gold itself.

Just as the first world war saw the downfall of the British £, likewise the long-drawn-out Vietnam war and some other factors have now contributed to the downfall of the American dollar. Today (i.e. in February, 1973, the market price of one ounce of gold is 69 dollars, whereas the official rate has been raised from 38 to 42.22 dollars. This is only an artificial price and an ounce of gold can be had only for 69 dollars.

Even in the modern space age, gold has not lost its hold. It will be interesting to know that when astronauts step out of the space-ship in their pressure suits to do extra-vehicular activities, the nylon plastic umbilical cord that fastens them with the space-ship and through which they get breathing air, is gold-plated. Why? To make the cord look more beautiful? No. Far from it. This is done to deflect the sun's heat so that the cord does not get very hot. What will happen if the nylon-plastic cord get heated much? It will get softer and softer and may ultimately become useless just as nylon clothes are damaged if a very hot iron is used on them.

new uses

This is just one example of how, with advances in technology, new applications, new uses, new needs and demands for gold are becoming known. On account of these new needs, the demand for gold, or we might say, the hunger of technology for gold, is increasing day by day while there is no appreciable increase in the gold production.

Therefore it is illogical and unwise to think that gold prices will come down in future. In my opinion gold prices will continue to rise year after year because of the following reasons.

Industrial users absorbed 119 tonnes of gold in 1968. It is estimated that by 1973, the entire world production (i.e. 1260 tonnes) can be absorbed solely by the industrial users of gold.... ("Gold : A World Survey" by Luc Smets; published by Chartered Consolidated Ltd., London, EC4.)

There is little hope of an increase in production.

There is no hope that the USSR will bring out much of its gold; its production in 1968 was 450 tonnes.

Lesser use of ornaments and lesser use of gold for making them, do not go with the modern trend. Be it Europe, or America, or India, heavier gold ornaments are getting more and more popular among young ladies the world over.

Why would countries like France and the people who have become habituated to the hoarding of gold bring their gold into the market?

To substantiate the foregoing analysis

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and for furthe r details, I give below fig... of gold production and absorption, wh... is an interesting subject in itself.

Production of Gold : 1968

Country	Production (*in tonnes*)	Percenta[ge] of the w[orld] producti[on]
South Africa	970	76.8
Canada	84	6.6
USA	48	3.7
Australia	24	1.7
Ghana	22	1.7
Rhodesia	16	1.3
Philippines Island	16	1.3
Colombia	7	0.6
Japan	7	0.6
Mexico	6	0.5
Nicaragua (South Africa)	4	0.3
Congo	4	0.3
India	3	0.3
Other countries	45	3.8
Total	1262	100.0

The USSR keeps the figures of its go[ld] production secret, but experts estima[te] that in 1968, 450 tonnes of gold w[as] produced in that country.

NOTE : The makers of the Communi[st] Russia and the founder of Soviet commu[nism], Lenin, fervently believed that t[he] future use of gold would be limited [to] plating the walls of public lavatorie[s]. But, now, the USSR also has accepte[d] the increasing economic power of gol[d]. This is because when it has to bu[y] wheat and other important commoditie[s] from other countries, gold has to b[e] the medium for the transaction.

Absorption of Gold : 1968

Absorption		Tonnes
For ornaments		[illegible]
Hoarding—	tonnes	
France	250	
India and Pakistan	138	
East Asia	66	
Central Asia	67	
Turkey	15	
South America	14	
Total	550	[illegible]
Tooth filling		[illegible]
Industrial goods		[illegible]
Electronic		[illegible]
Gold watches and straps		[illegible]
Grand Total		[illegible]

The point that now arises is when the

rption is 1,620 tonnes and production luding the USSR's) only 1260 tonnes, is the deficit of 360 tonnes made up? answer is that this shortfall is met the gold stocks with the hoarders speculators.

e countries which want to do inter-onal trading, which have to buy ntial commodities like the foodgrains, hinery, technical know-how, raw erial, armaments etc. from the foreign ntries, know it very well that if they gold stocks with them they can buy hing from anywhere in the world. This hy even communist China bought 130 es of gold in 1965-66.

uring this very period, the late Prime ister Lal Bahadur Shastri gave a call e people to give their gold to meet the ncial needs of the war. (You will recall this was the time when Pakistan had ched its third attack on India). I feel ved to say that even during this na-al adversity people's love for gold pre-ed over their love for the country. erwise, would a scheme like the Na-al Defence Gold Bonds, 1980, have ned gold weighing only 12,983 kgs and worth only Rs 6,95,62,518 at Rs 53.58 per ten grammes.

It was my sincere desire to buy Defence Bonds in gold equal to Shastri's weight but my family did not have ornaments and gold enough to fulfil this desire. Therefore, we could only buy bonds for 30 kgs. of gold.

As I have just said, people offered their gold only nominally although the late Lal Bahadur Shastri's appeal was made in such difficult times. One of the main reasons for this is that the people of India, by tradition, are the most gold-conscious in the world. The love for gold is in the veins of our people and this is not only on account of religious and social reasons but because of economic factors as well.

We have the custom of giving water to a new-born with a small stick of gold.

There is also the custom to wear a pendent with God's inscription, as far as possible made of gold, in the neck. Even the poor try to have this.

The annual production of gold in India is around three tonnes. But its absorption is sixty times this figure, i.e. 180 tonnes. This shortfall is made up by the smuggled gold. In such circumstances how could the Gold Control Act, which the then Finance minister Mr Morarji Desai, promulgated on January 9, 1963, be a success. This led to rendering nearly 1.2 million goldsmiths jobless; turned the religious bodies against the measure; made the farmer and the trader, the worker and the industrialist, the poor and the rich, the Raja and the Maharajah, i.e. in short people from every walk of life, hostile to Mr Morarji Desai; and lost for the Congress its absolute majority in the 1967 general elections to the Lok Sabha—One of the most important reasons for this was Mr Desai's Gold Control Act.

A mistake made in the political field is different from the mistakes committed in other spheres. A loss sustained in business may be made good. A sick factory may start working all right. A defeated team may some day win a match. An unsuccessful scientist today may one day succeed in his experiments. A gambler who has lost today may also win tomorrow. A vanquished soldier in a war may be a conqueror (like Mohammed Gauri) one day. What is more even the "dead" may come back to life as in the Bhowal Sanyasi case But a mistake made in the political sphere cannot be retrieved.

Ceilings on land holdings in India

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CONCEPT of ceiling is broadly asso-ted with the ideal of democratic socia-, a socialistic pattern of society of al justice. It prescribes limitations on extent of holdings, urban property, centration of income and investment. h a measure therefore, strikes at the root of *laissez fair* policy and the ettered growth of capitalistic order and s aims at a radical but peaceful socio-nomic change in the existing structure he society. It is argued on the basis pure economic rationale as against ial criterion, that a ceiling limit of 10 18 standared acres in India as recom-nded by the Central Land Reforms mmittee, will create smaller holdings lower income. This would allow a all or negligible surplus to the farmer, ich would neither be adequate to make investment on capital intensive programmes on land, nor adequate for payment of loan instalments and interest borrowed for the improvement of the land. These critics base their conclusions on the basis of several farm management studies undertaken in the states of Uttar Pradesh, West Bengal and other; they point out that the small farms are not viable units for better utilisation of available resources, particularly of the fixed factors such as family labour, bullock power and capital assets, the major constituents of the farm inputs in traditional agriculture. Therefore they argue that the resources utilisation is fuller and the output per unit used is larger on large farms than on small farms since the economies of scale operate in the former. Thus, farm business income, family consumption and the accruing surplus are much larger on large farms than on the small ones.

According to NCAER, 63 per cent of the rural households in the lower income groups had negative saving in the mid-sixties.[1] The statistics collected by a team of economists in collaboration with the Economics and Statistical Department of Haryana state government indicate that in a progressive state like Haryana 27.8 per cent of the cultivating households who had their holdings of less than five acres were constantly in debt and their annul deficit was $89.2.[2] Another 29.1 per cent of cultivating households with their holdings between 5 to 10 acres had an annual deficit of $78.00. On the other hand, big farmers with holdings above 30 acres had sufficient annual savings to make sizeable investment on capital intensive programmes on land.[3] According to Francine Frankel,[4] the small farmers are handicapped in respect of essential factors and that they do not have necessary resources to invest in indivisible inputs for profitable adoption of new technology.

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is conclusion is that an overwhelming ajority of the farmers having holdings of vo or three acres have been able to inease per acre yield from the application f small doses of fertilisers; however, agregate gains in production have been nsufficient to create capital surplus for nvestment. Only those farmers with 20 cres and more could make larger investnent and mechanise farm operations to ndertake double or multiple cropping. Other studies point out that the percentae of area under high yielding variety is nuch greater on large farms than on mall farms. The data of the Programme Evaluation Organization and Agro-Economic Research Centre[5] confirms, that there s a positive relationship between the proportion of the area under high yielding variety and the size of the farm.

standard size

In fact many studies, particularly in Punjab suggest a critical minimum size of the farm from the point of view of efficiency, maximum production and market surplus. Some of the important studies are those of A. C. Sharma,[6] R. N. Soni,[7] M. S. Randhwa,[8] and A. J. Singh and A. S. Kahlon[9] which suggest minimum holdings ranging from 24 acres to 44.58 acres and conclude that with the impact of rapid technological change in the agricultural sector, the productivity and marketable surplus rise with the increasing size of the farm. Therefore, their inference is that any size below 30 standard acres can be justified from the point of view of social justice, equity and employment but is positively detrimental from the point of view of economic efficiency.

It is no doubt true that the economies of scale are better reaped with the increase in the size of the farm, provided the farm is managed as a big business concern with modern equipment inputs and management practices.[10] But most of the holdings in the country are below 10 acres and the only possibility of raising their productivity and efficiency is through the organisation of service stations—each station serving a bunch of villages—to supply the necessary quantities of inputs at controlled prices and to hire out the equipment at reasonable charges. These service stations can also develop storage houses to stock the surplus. Such an arrangement will avoid heavy investment on the part of the small farmer and at the same time help him augment his productivity. If these services can be ensured by the state, limiting the size of holdings to 10 to 18 standard acres will not adversely effect either the efficiency or productivity of the farmer. Moreover agriculture is an occupation which calls for frequent personal attention and momentous decisions and in this context the smaller the size of the holding greater the attention would be. Thus labour intensive cultivation is possible with small holdings and higher yields per acre.

In Japan about 70 per cent of the farm households have less than one hectare of land each; 20 per cent have one to two hectares each and 10 per cent over two hectares each. Still the per hectare yield of paddy in Japan is almost three and half times that of India. But the quantity of all kinds of fertilizers used in Japan is 297.68 kilograms per hectare as against 8.34 kilograms per hectare (1967-68) in India. The productivity on the small holdings in India can be raised as in Japan by increased application of fertilizers and other inputs, which in turn means a manifold rise in production of inputs. Besides, the supply of modern agricultural equipment should be increased and in particular the manufacture of simple machinery such as light tractors should be devised.

Brazilian example

Again the question of determining land size limits in agrarian reform has been strikingly examined by Armin K. Ludwig,[11] in relation to Brazilian agriculture. He points out that the prime goal in most agrarian reform systems is to get more land in the hands of more people who will use it more productively. This is because land is finite in size and thus not expandable, whereas capital, skills, technology and labour are all both mobile and expandable. Therefore the amount of land given to the control of one person or family is a very critical factor in determining how many people will operate productively in the rural sector. Capital, skills and technology may be applied to the land parcel holdings to increase its productivity and may increase it to the point where less land is required to yield the same output, thus making room for yet another productive person or farm family in the rural environment.

Mr. Ludwig, thus argues, that the key to many reform sytems is to reduce the size of large land holdings on the assumption that the mobile factors can be brought to bear on numerous small plots of land so as to increase productivity per man and per land unit. Such a reform would increase the number o persons supported on land previousl composing a large property. Further h examines the literature on agrarian refor around the world and points out that v often the upper limits on property si have been inuitively derived by reformer more on socio-political than economic c sideration.

economic consideration

His analysis, in particular, of agrar reform in Brazil is important from t point of view of pure economic consider tion. In Brazil, the size of land holdin is determined on the basis of seve criteria such as market locations, la capabilities and land uses. The Brazili Agrarian Reforms Institute (IBRA) ! grouped all land uses into five categorie market gardening, perennial crops, sm livestock, large livestock and factory a has set up land modules as standards measure individual properties througho the country. A standard land module defined as one which can absorb all t labour of four working adults in a farm and support them on a standard of livi consistent with Brazilian standards economic progress and social justice. T formula applied to determine the size hectares of each standard land modu is :

$$\text{Standard Land Module in Hectares:} \quad \frac{\text{Income for F Adults \& 22.5 p cent Return on t Value Per Hectare Land}}{\text{Net Crop Incom per Hectare.}}$$

The standard land module varied size depending on the capacity of land produce, differing market locations a land uses. The net crop income per he tare was based on special sample stud done at various places in the country. (this basis, the standard land module f mechanised Sao Paulo tomato producbased on 1965 costs and prices was es mated to be 0.7 hectares. This sam was the standard for all market garden and IBRA set the smallest standard la module in market gardening at 2.0 he tares and for permanent crops 10 hecta On the basis of the standard modul assigned to each family the surplus w taken out for redistribution.

Thus in Brazil, the factors that h played an important role in fixing the

holding are capacity of land to pro-
ce, differing market locations, land uses
d net crop income per hectare.

case study in Mysore

In this part, the economic and social tionale of a ceiling leading to small lding is examined through a specific se study in Mysore state.

The government, while imposing a ceil- g on land and thus determining the ximum extent of acreage that a family five should hold must consider the pro- essive strategy in agricultural production d the impact of green revolution in rais- g productivity per acre. The progres- e technology involves the education of e farmers in new methods of cultivation, opping patterns with emphasis on short ration crops, adequate and timely edit and inputs comprising hybrid seeds, tilisers and pesticides and assured mini- im profitable price for the product, i.e. e use of modern technical inputs as ainst traditional inputs such as unskill- labour and certain forms of capital. any areas of the country with assured igation either by the government or by lls or tubewells have resorted to the new technology in farming in order to rise productivity.

The policy contemplated by the government of Mysore is to set the upper ceiling at 10 standard acres in irrigated areas. Is this size of holding a viable economic unit to carry on cultivation economically and at the same time generate a sizeable return so as to allow a significant surplus for further investment? In order to assess the economic feasibility of such an extent of holding, an input-output analysis is applied to one standard acre of holding with assured irrigation facilities and also to land with no such facilities assuming that the farmer adopts the modern agricultural strategy and all inputs are available to him in time and in adequate quantities at the price fixed by the government. It is also assumed that the credit flow is timely and adequate and the farmer is ensured of the minimum floor price for his product which is not far below the current market price and which will not sink too low when surplus is produced and offered for sale in the market.

The table below shows the input-output analysis per acre for certain common and widely grown crops in Mysore state.[12] The table indicates input costs, value of the total output and the likely surplus incon that accrues to the farmer for each ac of land for different crops. The total i put costs projected are essential for max mising high yields per acre. They refle the use of optimum inputs, fertiliser pesticides and hybrid seeds along wi scientific cultivating methods and manage ment of the farm. Similarly the outp or the value of the output projected one realised under conditions of moder farming technology using optimum inp with timely agricultural operations und the current ruling prices of agricultura products.

In the table, Item 5—Agricultural too and labour—includes costs of a wide rang of agricultural operations, preparato cultivation comprising ploughing, openi of furrows, sowing of seeds, transplantin applying of fertilisers and pesticides, irr gation and intercultural operation weeding, top dressing and harvestir operations. All operations are deeme to be undertaken by hired laboure on wages working about 8 hours day. Hence the unpaid family labo or its maintenance does not figu in the calculatian of input costs. Similar the services of the pair of bullocks ar the use of agricultural equipment a

Input and Output Analysis of Some Major Crops per acre for One Crop
(Input costs and the value of output are expressed in terms of $)

Sl No.	Inputs	High yielding paddy	Irrigated Ragi	Dry land Ragi	Sugar cane	Potato irrigated land	Tobacco	Cotton	Irrigated groundnut	Dry land groundnut	Jaya paddy
.	Seeds	3.33	0.266	0.80	69.33	133.33	2.00	12.11	12.00	12.00	2.66
.	Farm yard and green manure	12.00	6.66	4.00	13.33	33.33	6.66	3.33	6.66	4.00	6.66
.	Chemical fertilisers (at controlled prices)	46.60	24.66	12.73	76.6	40.40	21.73	79.74	20.13	15.86	32.00
.	Pesticides	8.66	4.00	1.33	8.00	10.93	13.06	53.33	8.26	7.06	6.00
.	Agricultural tools and labour*	53.33	26.66	22.66	33.33	38.93	35.20	35.20	38.00	36.8	36.2
.	Well Irrigation changes**	16.00	5.33	Nil	45.33	10.00	8.00	13.33	5.33	Nil	16.00
.	Land Revenue	1.33	1.33	0.40	1.33	1.33	1.33	1.33	1.33	0.66	1.33
.	Supervision and miscellaneous items	3.33	1.33	2.00	20.00	6.66	9.33	4.00	6.60	3.33	10.00
	Total cost	144.580	70.236	43.920	267.250	274.910	97.310	202.370	98.310	79.710	110.850
	Total value of the output & straw	272.00	133.33	58.6	666.66	1120.00	266.66	426.66	149.33	93.33	373.33+13.3 straw=386.6
	Net surplus	127.420	63.094	14.740	399.410	845.090	169.350	224.290	51.020	13.620	275.810

*Labour includes the cost of hired labour for all kinds of agricultural operations; harvesting, maintenance cost of bullocks and management or supervision charges.

**Water rates vary for different crops. Per acre per crop rates under government channel and tank-fed areas are as below Sugar cane—12 months—$2.66; 12—18 months—$4.00; Paddy—12 months—$1.45; Ragi—12 months—$1.00, Jowar—12 months—$1.00; Maize —12 months—$1.00; Oil seeds—12 months—0.6; Bananas—12 months—$2.00; Betel leaves 12 months—$.2.00.

ned to be hired on payment. There-, the costs of maintenance of bullocks he purchase of equipment and its reciation charges are based on the l cost incurred by the individual for ment of power charges and repair of npsets, etc. Thus the input list covers costs incurred with the farming operas until the output is brought for sale he market.

A general observation of the table eals that the total costs and income y from crop to crop and the costs are tively higher in irrigated than in dry d areas. In addition the income per e is larger in the former than in the er. Thus the gross income per acre raising one crop of high-yielding paddy -20) in the irrigated area is as large $272.00; even for a crop like irrigated i[13] it is as much as $133.33 per acre. commercial crops like cotton and ar cane it is much larger ($426.66 l $666.66 respectively). The gross nover is the highest for potatoes at 20 per acre.

rying return

Similarly the net return on the difference ween the gross return and the total ts differs from crop to crop since costs y not only between irrigated and non-gated crops but also from crop to p. The net return per acre for high lding paddy is $128.00; for irrigated i it is $63.06. For commercial crops e cotton and sugarcane it is 60 to 300 cent larger than that of paddy. In a p like potato the net return per acre ix times greater than that of paddy. e lowest net return per acre is in ps like ragi and groundnut grown in land at $17.2 and $15.06 respectively acre.

All the crops described above are not he same duration. Some require only ee months, some four to five months l some nearly 12 months. The high lding varieties of paddy like Jaya, IR- and Jenugudu[14] require 4 to 4 1/2 nths duration before they are ready harvest. The duration for hybrid ar, wheat, Bengalgram[15] and potato is 3 1/2 months and for ragi and undnut it varies from 3 to 4 1/2 months. the other hand hybrid cotton needs ong as six to eight months and sugar-e 10 to 14 months. Thus depending he duration of crops, the nature of oil and the quantum of water supply er by channel or tank or lift irrigation, crops can be rotated on an acre of . The rotation of crops is also important from the point of view of restoring the fertility of the soil. If an acre of land permits two or three crops by rotation, the net income per acre is likely to be much larger than what it will be by growing one crop.

The possible rotation of crops in irrigated and non-irrigated areas must be considered to determine the extent of net income that can be secured for one acre of land. In areas with assured water supply for at least two crops the possible rotation generally is paddy as a kharif crop and ragi or groundnut or jawar or vegetables or all crops that can be grown with semi-irrigational facilities. Paddy can also be grown as a rabi crop before October. The best season again for growing irrigated wheat is mid-October and November. Assuming that the land is cultivated by lift irrigation and two crops such as paddy and ragi or alternatively sugarcane in one year and paddy and ragi or maize or vegetables in another year are alternated; the average net income per acre at current price will range from at least $186.66 to $266.66. In areas irrigated by channels the average net income will be slightly larger since the irrigation costs in the former are less. There are some areas with lift irrigation facilities where crops like potato and ragi or hybrid maize can be alternated. The average net income in such an area ranges from $800.00 to $933.33 per acre.

average income

With regard to the tank-fed areas, the possible combination of crops are late kharif crops such as paddy and groundnut or other types of oilseeds or ragi or pulses, provided the water is available from December to January. Otherwise only one crop mainly paddy is certain. The average income per acre in such areas will range from $133.33 to $200.00 depending on the number and nature of crops grown in the area.

In areas with regular rainfall one crop such as paddy or ragi or jawar or bajra is certain. In some areas which preserve moisture crops like sesanum, millets, pulses, cotton as late kharif or rabi crops are also possible. Therefore, the average net income per acre will range from $93.33 to $240.00 depending again on the number and nature of crops.

Finally, the areas with scanty rainfall face many hardships and one dry land crop such as ragi or jawar or bajra can be expected. The average income range per acre can be estimated to be less than $66.66 This income analysis holds good for many states in India.

On the basis of this information, it is possible to consider the ceiling limit on land holdings as recommended by the All India Congress Committee on Land Reforms and adopted in turn by Mysore. The ceiling limit of 10 acres is proposed by the Committee in case of land with assured irrigation facilities enabling production of two crops. Applying the input and output and net return analysis reflected in table, the per acre average net return is estimated to range between $186.66 and $266.66. The total net income accrual for a family of five with 10 acre holding would amount at least to $1866.66 — $2666.66, since the farmer adopts not only different cropping patterns in different areas of his plot but also different crops each season. Therefore the per capita share of income varies from $600 to $1333.32.

shift in standard

A net income of $1,866.66 to $2,400.00 would enable a farmer to shift to a better standard of living besides permitting him to invest not only on adequate inputs and improvement of land for raising productivity per acre but also in higher education of his children. Moreover a portion of the non-consumed and non-invested income by the farmer if mobilised by rural banks or any other financial institutions would facilitate investment in the non-agricultural sector. This would enable acceleration of the industrial development of the country. Hence it is possible to conclude that 10 acre holding with assured irrigation facilities would provide for a family of five a sufficiently high income to meet not only all the needs of the members of the family but will enable the farmer to have sizeable savings for further investment. The income generated from this holding of 10 acres will be nearly eight times greater than the average income of a family of five in the country and falls into the category of upper middle income group. In fact a case can be made for further lowering the ceiling on holding to seven to eight acres.

Although ten acre holdings generate a high income, the question of whether 10 acre holding is a sufficiently large unit to derive all the economies of scale is a controversial issue. Many studies undertaken in the state of Punjab prove that the larger the relative size, the greater the economies of scale. However, in a count-

ike India with a population predomi-tly engaged in agriculture, factors er than economies of scale such as vision of some productive means to less privileged class of the society is important factor. Even assuming t emphasis of economies of scale cannot gnored, the ultimate result of economies cale is optimisation of output with mini-m costs. The same optimal output with costs are possible even on small hold- and the above analysis of net income acre amply proves this statement. In an the per acre productivity is much ger on the small farm than the produc-ty of an Indian farm having large eage. Hence income criteria is a more sible proposition than the emphasis economies of scale accuring from large ts. Moreover, since many operations on farm can be managed by cheap human our without recourse to heavy mecha-ation involving huge investment, small dings are feasible enough to engage farmers fully in agricultural activity. ually an intensive cultivation of 10 e plots will not allow the disguised un-ployment or under-employment in the ily of the farmers.

portant criterion

Thus 10 acre holdings with assured gation facilities for raising two crops a family of five members is big enough generate an income of $1,866.66 to 66.66 per year. Although the Land orms Committee contemplate a ceiling the basis of acreage, the above income l generated by a 10 acre holding under ured irrigation facilities is bound to ome an important criterion in fixing ng on the other types of land. This in-e criterion would therefore mean fixing ering size of holdings depending on facilities for irrigation, the equality oil and the nature of crops.

Applying the income criterion and the ut-output analysis worked out in the e a holding of three to four acres used growing potatoes and ragi or maize ulses would be equal to the 10 acre ling rotating paddy and ragi or crops wn in semi-irrigated areas. Similar esponding ratios can be worked out other areas as follows:

Area with assured irrigation facilities for raising two crops.........10 acres.

Tank fed areas........10 to 18 acres.

Areas growing potato and semi-irrigated crops...............3 acres.

Areas with assured nor-mal rainfall...........10 to 20 acres.

Areas with scanty rainfall.....................50 acres.

The same net income criterion can be adopted to plantations, orchards and mechanised farms, since the assumed objective of the government is to promote social and economic justice to the less privileged classes of the country.

equitable distribution

To summarize, it can be said that a ceiling ultimately aims not only at a in-come limit but also at an equitable distri-bution of income, since the limits are scheduled to vary between irrigated and non-irrigated areas depending on the num-ber and nature of crops that can be raised in the region. In fixing a ceiling on land holding, such factors as the possibilities of rotation of crops between irrigated and non-irrigated areas, the nature of the soil, the wage differentials between different areas, the transport costs incurred in get-ting the inputs and for marketing the pro-duct are to be given due consideration. In addition, assured floor prices for various agricultural products and diffusion of new farming technology among the largest section of the farmers are of paramount importance. Besides the inheritance law should be so modified to prevant further sub-division and fragmentation of holding and the consequent net income per mem-ber. Ultimately the goal should be to shift surplus members of the farmers family to the urban areas by creating opportunities for employment through the development of industrial and tertiary sectors.

The preceding analysis examines the extent of holding that is economically and operationally viable without adversely affecting efficieny for different land areas. The ultimate objective of ceiling is to eliminate concentration of land holdings in the hands of a few and thus release surplus land for distribution among the landless and uneconomic holders.

Considering the pattern of ownership holding by size class, the NSS report of the Seventeenth Round[17] indicates that 72 per cent of the farmers in the country hold less than five acres, 80 per cent below 10 acres and 92 per cent below 15 acres. The total acreage that the 92 per cent of the farmers hold constitutes 54 per cent of the total area. Therefore, the remaining eight per cent of the farmers control as much as 46 per cent of the total area. In these cases the ceiling of land holding becomes important.

The surplus land has to be distributed on a priority basis to 8.5 millions of land-less labour households and to 46.05 million small holdings which are below five acres in size in order to make them viable econo-mic units. In fact the opinion among some economists is that the surplus land should be distributed among small farmers of uneconomic holdings to make their hol-dings viable. But this is difficult since the ruling Congress is committed to the re-distribution of land to the landless la-bourers.

However, S. K. Gupta's study[18] in this behalf is significant. He indicates that if an averge ceiling of 25 acres (i.e. 15 stan-dard acres per rural household or one acre of wholly irrigated land being equal to 2 acres of un-irrigated land) is imposed, it is possible to acquire a maximum of 29,098 million acres of surplus land for redistri-bution. This would be still less if the government maintains the distinction bet-ween land irrigated from private sources and from government sources against the recommedations of the Central Land Re-forms Committee.

alternative suggestions

Gupta makes two alternative suggestions:

1. The surplus land can be distributed among the 8.5 million landless households and 23.58 million households owning less than one acre of land in such a way that each of these 32.08 million households get a land holding of a little more than one acre. This is to smoothe out all inequali-ties at the lowest level.

2. The surplus land can be re-distri-buted on a priority basis to 8.5 million landless labour households and 46.05 million small holdings (below 2.5 acres) so that each one of these 43.5 million households gets about 0.70 acres more.

Alternatively Gupta suggests that if the average ceiling limit is fixed at 20 acres (or 12 standard acres per rural household) it would then be possible to find 50,765 million acres of surplus land for redistri-bution.

1. The whole of this surplus land can be redistributed among the landless and those owning the land below the size of 2.50 acres. Thereby each household get 1.16 acres more than what it would have

otherwise secured in the earlier pattern of ceiling.

2. About 15.52 million acres of surplus land may be given to 10.98 million households falling in the size group of 2.50 to 5.00 acres thereby raisiug the average size of the holdings to a viable one, i.e. 5.00 acres. The remaining 36.25 million acres of land may be distributed equitably among 43.56 million households thereby giving 0.81 acres to each one of the them. Such a distribution might not affect the production adversely. This would no doubt reduce the gap between the haves and have nots but it would inflate the number of non-viable units and then hamper production.

The ceiling on land holding contemplated by the Central Land Reforms Committee and modified by the Congress Committee on land Reforms is less than that of the size envisaged by Gupta. Therefore the scope of releasing much more surplus land for distribution is large. However, if productivity is to increase in the holdings distributed among the landless class, the respective state governments will have to provide a substantial quantity of subsidies, loans, fertilisers, good quality seeds and other ancillaries to the much greater number of rural households. In addition, co-operative farming societies will have to be increased in number and their organisation and efficiency further improved.

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Management by objectives

Sripati Ranganadh

MANAGEMENT VERY often is subject to the routine array of activities which have already been established and strives to materialise the objectives sought. The succees of the managerial effort rests on the form of management which is being practised. Dr Douglas McGregor puts forth "Theory X" which assumes that individuals have no respect for organisational goals and have no ambition and shirk duty. They must be coerced, directed and controlled. They accept instructions and look for continuing guidance and direction from their bosses. Bureaucratic and authoritarian principle, for instance, accomplishes results through punitive measures and stifles the initiative and morale of the organisation and re-reduces management to lower level commitments. Incentives and penalties have their importance, but they remain as an effective system, useful enough only for a short term. Experience has it, that the stick and carrot method does not lead the outfit too far and results in "suboptimisation" in the long run. In view of this, the need has been felt for a dynamic approach which is free from the conceivable shortcomings and tries to yield fruitful results even in the long run. Management By Objectives (MBO) seeks to offer the technique for the attainment of this objective. The application of MBO principle in modern management, particularly in the UK, the USA, and Canada is legion. This innovative system is used to improve organisational performance.

The concept of MBO takes the place of bureaucratisation and recognises ability, competence and willingness of the individuals to seek responsible assignments and direct their own business affairs without too much of interference from others. This is similar to McGregor's "Theory Y" which suggests that individuals readily accept enterprise objectives and exert self direction and self control in meeting such aims. Creativity, ingenuity and energy of the employee will be released for the benefit of the company rather than submitting to the authority of the superiors. Self direction offers confidence, enthusiasm and motivation. Peter Drucker observes : "One of the major contributions of MBO is that it enables us to substitute management by self control". It is suggested that the horizontal and de-centralised system will be more conducive to MBO than the vertical and centralised one. Quicker, better and clearer communication, and wider supervision will be feasible in a decentralized set-up. It is pr able to introduce MBO schemes init in much less structured fields of spe lisation like research and developm than more structured general areas production and sale on an experime basis. The acceptance of MBO by specialists will pave the way for approval of the rest of the organisa in general.

MBO is a scientific approach for forcing the development of special tems in business activities. In fact, M is an alternative to the traditional form management and is marked by a scien approach. This device is an integr and overall management approach w seeks to offer an orderly framework analysis, diagnosis and precription business problems. MBO is not a w drug for curing all the ills of enter management. However, the survival the growth of the enterprises depend on the manner and directio the installation of the MBO programm

Further MBO system tries to de expand and improve business p mance, tone up the efficiency of pers review the current schemes within

nisation, revitalise their purpose and tions, sharpen the individual mana- special characteristics in listening, tioning, diagnosing and communicat- emphasise the effectiveness of team- , highlight the importance of delega- and dignity of the individual and tually harmonise the multifunctional of individual managers.

BO implies that if a manager or for matter any responsible individual is ed to superior status, he is likely to himself capable of accepting and ning responsibility for and directing wn activities. As indicated earlier. similar to McGregor's "Theory Y" assumes that individuals actually for responsibility and exhibit their n ability, creativity and initiative ded they are recognised and reward- the organisation. The merits and utes of the individuals can be cana- for the benefit of both the fellow bers and the organisation. The cation of MBO enhances and eva- not only the performance of mana- but also that of their subordinates. schemes assess their current perfor- e in terms of the achieved results than evaluate their drive, initiative, ity, enthusiasm, pep and personality.

ing contribution

e of the striking contributions of is to enable a manager to develop lf by providing opportunities in g independent decisions whenever sary. MBO practice strives to set such complex problems as poor com- cation, internal and external mis- standings and industrial unrest. Of MBO has extended its activities in private and public sectors in mining, facturing and banking. The utility BO has a greater impact on such ns as management appraisal, organi- al effectiveness, business planning udgetary control. Through imple- ation of MBO, productivity and ability can be increased.

an organisation, it is difficult, if not sible, to carry out the enterprise tives by an individual manager. d he sets his own goal and tries to e his objectives in a short time. often he relies on hunch rather than ished scientific devices and yet es near results.

hit or miss methods may be success- a short term but definitely result in optimization" in the long run.

herence to objectives is the virtue of MBO. But it is observed in practice that the overall group objectives have been ignored with a view to out-reaching performance objectives of an unit. This over-commitment often results in unhealthy internal rivalry with respect to claims on scarce resources. This sub-optimizes the effectiveness of the overall organization.

It is therefore, believed, that by the introduction of MBO, the long-term strategic planning (employing short run action to meet long-term objectives) can be accomplished by the co-ordination of managerial and organisation objectives. Thereby MBO enhances profits, productivity and growth of the organisation. John Humble maintains MBO as a "dynamic system which seeks to integrate the company's needs to clarify and achieve its profit and growth goals with the manager's need to contribute and develop himself".

optimum motivation

In the fitness of things, the individual manager has to give up his traditional bias and has to alter the fundamental assumptions, policies and directions to attain expected targets by dovetailing personal objectives to the corporate ones. This situation gives rise to optimum motivation. Thus MBO can be profitably introduced and spectacular results may be attained in any organisation.

While the setting of goals is one of the managerial functions of planning and control, it is not, however, a natural phenomenon in most managerial situations. The MBO approach asks the managers to set and define corporate goals. An enterprise can spell out innumerable objectives but all can hardly be materialised in a specific period of time. As such, selected objectives appropriate to the occasion can be concentrated for yielding expected results. 'Maximization of opportunities' as Drucker observes is a worthwhile goal which can pursue certain selected objectives and which can avoid the conditions of aimlessness, drift and inertia and provide standards for control. This issue is one of "appraisal by results".

Management by direction and control is a form of management where a specialist is drafted as an executive in an organisation. The specialist naturally feels that he is superior to his colleagues who lack the special skill and training. Unfortunately there is little scope and opportunity for him to exhibit his specialty. He will be under the illusion that the organatiison will provide him all the encouragement for the effective utilization of his efforts. Soon he finds that some of his fellow members are mediocres who have no interest to learn and imbibe his scientific studies and much less his latest model techniques. His superior knowledge and expertise often conflict with other members of the organisation. He finally observes that they are relatively unconcerned of the establishment welfare and are preoccupied with "maintaining their authority and independence". Against this setting, the specialist proves to be effective if he is entrusted with an assignment which is fitting to his talents and training rather than an executive of a general nature who is exposed to all the humdrum of human activities.

sizing up situation

Correct decisions tend to depend on the precise information obtained and the skill of the decision maker "to size up the situation." All decisions need not be fool-proof predictions. At the most there could be lesser evils with minor mistakes and less of repetition of past errors. The best decision free from faults is a theoretical ambition which seldom corresponds to reality. If we evaluate the various possible decisions, all will prove to be satisfactory in a general way.

Herbert A. Simon has enunciated the theory of "Satisficing" rather than maximizing as an explanation of business behaviour. In fact, the concept of "satisficing" has gained ground by the research of economists and psychologists empirically. "Satisficing" springs in when a firm or decision-making executive selects a particular decision out of alternatives which is "good enough to meet minimum or reasonable satisfaction levels". The decision maker satisfies himself with the present choice of decision and does not look for better and additional alternatives.

"Satisficing" operates and selects a line of action to fulfil the needs of minimum criterion rather than maximum. To illustrate : a firm wishes to maintain a particular margin of profit while keeping prices at current levels and maintaining the same share of the market rather than maximizing profits, pegging prices at a higher level and expanding the share of the market.

The firms sets in "suboptimization" while the behaviour of the decider yields to "satisficing" situation. In a multi-

pronged organization, for instance, the profit of a particular unit results in the reduction of profit in regard to one or two units, then suboptimization results in. A firm or the decision maker inclines to suboptimize in making decisions when the costs are greater in terms of time or effort than they wish to pay, or when goals are in conflict.*

Quantitative analysis aids to plan, assess the estimates, control operations, sharpen procedures, formalise judgements and implement proceedings in the right direction.

It is essential to gather and evaluate the factual and probablistic data to arrive at sound decisions.

quality of decisions

Decisions on production involve quantitative analysis which is based on and expressed in numerical values and which, in turn, are fed by facts and figures. The very quality of decisions depends upon the accuracy of the findings.

Quite often, the available data are of qualitative nature; as such it is rather difficult to take appropriate quantitative decisions. The information we obtain in marketing problems such as package design, product guarantees and quality effects of pricing, promotional strategy and new product development involve qualitative form.

There are many methods of converting qualitative data into quantitative material such as information retrieval, the applications of communications theory, factor analysis, the theory of statistical inference, techniques of experimental decisions and input and output theory. But Bayesian statistical method seems to be consistent and orderly with a high degree of potency.

In the context of management decision, Thomas Bayes' theorem enunciated in 1773 has been found to be of immense value. Many modifications and refinements have been made to improve the original theorem so as to make it effective for modern application. This approach tries to solve two fundamental problems, namely, the criteria to be used in estimation problems and the way to specify the risks of error in testing problems.

Management often finds it difficult to reach a decision because of the paucity of data. By adopting the Bayesian approach, the manager is able to derive quantified estimates by using his mature judgement, ripe experience and even fragmentary evidence. Sometimes with insufficient quantitative data, the management can assess and review the probability estimate and thereby it can arrive at a near decision. Management is required to make a number of decisions. To assure a specific decision that would be effective, Bayesian method is essential.

Against the above background, the abstract objectives can be translated and expressed in terms of quality, value and timeliness. But the creative and innovative objectives seldom yield to quantification and defy measurability. As such too much emphasis need not be laid on non-measurable objectives so that the MBO programmes could be made workable.

Individual performance and personal improvement objectives generally exist in most of the modern enterprises. The integration of individual objectives and enterprise objectives is not implicit in the existing appraisal system, whereas MBO procedural framework will reinforce and strengthen the former by matching individual and organisational objectives. Thus the performance appraisal established under MBO is likely to have a greater impact on the same.

change of attitude

The effectiveness of the MBO programme presupposes a change in attitude and behaviour of managerial personnel of an organisation, places heavy demand on their competence in knowledge and skill, promotes the level of personal satisfaction, enthusiasm and group responsibility. They are made conscious of understanding which should exist between colleagues and subordinates. As indicated earlier, the MBO programme sharpens information and communication.

Incidentally, Management By Exception (MBE) also strives to draw the attention of the managers to the selective and all significant information which they really need to know for running an organisation whether it is mining, administrative, educational, business or for that matter any conceivable enterprise,

In these days of specialisation, it is not wise for a manager, however versatile, to comprehend all pervasive information about his enterprise. Acquainting himself with the overall detailed information is laudable, but it is humanly impossible to know everything. However, he should get to know at least the filtered information prepared by the specialists. The manager has to equip himself with all the relevant facts which aid him to
effective decision making. The c
MBE helps to save time and prov
manager with ample time to evalu
progress attained, determine
standards, formalise programme,
the actual performance and undertak
corrective action when required.

Lester R. Bittel enumerates a cata
of merits of MBE. It may not be
place to mention some of them.

merits of MBE

MBE spots out crimes and cr
problems and attempts to set them
in time, assesses situations and p
quantitatively and qualitatively,
time-consuming work on trifles, ex
scope of activities and span of co
stimulates communication, dissemi
information between different units
enterprise, demands constant and c
nuous fresh facts as regards the outfit
its activities, enables inexperienced m
gers to deal with new assignments
out training or previous exper
emphasises the executive effort only w
and where it is required and emp
highly paid personnel on high return w

While welcoming the refinemen
measurements, emphasis on detailed p
ning and rigid controls, MBE acts
deterrent on executive initiative, d
dash, flexibility, and leadership. De
its enormous costs in installing
schemes, the approach is not a subs
for good management. Instead of a
the executives by providing them
guidelines, MBE employs rules, re
tions and procedures as a check and
trol on their activities. MBE often r
on partially correct and unauth
information which indirectly cons
more time and increases paper w

MBE remains helpless if non-cr
problems all of a sudden turn cr
MBE sets forth standards which
vary and are liable to become obso
Basing on these standards, it is obv
that the comparisons need not reveal
actual situation. These demerits
because MBE is treated as a once f
continuous scheme. But if MB
reviewed periodically, many of the d
could be minimized if not elim
altogether. Dr Pennathur observes
it is more easily written than done.

Despite the above shortcomings
proper to emphasise the significanc
the practice of MBO and MBF in
keting management. It will be a
ing experience to those who are
in managerial assignments.

*Dalton E. McFarland: Management Principles and Practice; London; the Macmillan Company; 1970, p. 88

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

NEW DELHI, Saturday

INDICATION to the effect that the icit in the railway budget this year uld be much larger than Rs 9.8 crores isaged at the time of the presentation the budget in February last, was given the minister for Railways, Mr L. N. shra, in the Lok Sabha this week. Two n factors responsible for the widening of gap between the receipts and expen- ure, the minister said, were the inc- sed burden of wage costs and decline earnings due to various reasons. The litional dearness allowance sanctioned ently for railway employees and the plementation of the third Pay Commis- i's report together are expected to t the railways as much as Rs 60 crores. the same time, the railways are likely ncur a loss of about Rs 26 crores on ount of heavy movements of foodgrains ich are being effected at concessional es. The recent strike by loco men is estimated to have cost the railways out Rs 12 crores in gross revenue nings.

Mr Mishra made these observations ring the debate on supplementary de- nds for grants of railways for the cur- t financial year. The performance of lways was scathingly criticised by mbers, specially from the opposition nches, during this debate. Particular ntion was made by critics to the bot- necks in the movement of coal. The ed for improving railway earnings rough checking ticketless travel and ferage of consignments as well as rail- y property was stressed by many. As ual, some members pleaded for the ension of railway network in their eas.

ownward trend

Referring to the payment of compen- ion for goods lost or damaged in tran- , the minister assured the House that efforts were being made to deliver goods fely. He pointed out that compensa- n paid for the goods lost or damaged d shown a downward trend in 1972-73. making this assertion, he brought in e element of increase in the value of mpensation claims on account of up- rd trend in prices. Mr Mishra an- unced that a low-priced package meal service, which had proved popular on the western and north-eastern railway systems, would be introduced soon on the Delhi-Howrah route. The idea of setting up a catering corporation, he added, was taking shape. The abandoned railway lines, the minister further stated, would be restor- ed during the next five years provided the needed financial resources were avail- able.

food situation

The government was assailed in the Rajya Sabha for the difficult food situa- tion in various parts of the country, es- pecially in metropolitan cities. Critics from both the sides of the House comp- lained that the failure of the public dis- tribution system had left people at the mercy of smugglers and black marketeers. Two Congress members, Mr Chandra Shekhar and Mr A. G. Kulkarni, even went to the extent of acusing the minis- ter of state for Agriculture, Mr A. P. Shinde, of living in a "dreamland". They expressed the view that the government had virtually conceded that it was incap- able of ensuring adequate quantities of foodgrains for the people and asked for a clarification whether it was going to completely take over the trade in food- grains and channelise the entire rice and coarse grains output in the country throu- gh the public distribution system. Mr Shinde did not make any commitment regarding rice, but told the House that the government was planning a very in- tensive programme for the procurement of coarse grains during the coming kharif marketing season. He hoped that with a good kharif crop, prices of foodgrains, especially of rabi grains, would come down appreciably. In the present-day difficult situation, Mr Shinde stressed that the government could not supply consu- mers foodgrains of their choice, particu- larly rice which was in acute shortage. Efforts, however, were being made to sup- ply them with other grains.

Replying to a calling attention motion in the Lok Sabha on the reported damage to imported foodgrains in Bombay docks, the minister for Agriculture, Mr Fakh- ruddin Ali Ahmed, pointed out that the damage was not as severe as alleged. Only about 1,400 tonnes of foodgrains had been spoiled during voyage to Bombay out of nearly six lakh tonnes handled at the Bombay port. The damaged foodgrains were being dried and salvaged and were proposed to be used as poultry feed or as industrial raw material to the extent possible. He denied that foodgrains had been brought in junk ships; three-fourths of the tonnage engaged in the import of foodgrains, he pointed out, was less than 15 years old and even the older ships were fully examined before foodgrains were shipped in them.

With the adoption by the Lok Sabha this week of a statutory resolution seeking approval of centre's administration in the state of Orissa, President's rule in this state would be extended for the second term of six months from September 26. The Rajya Sabha has already approved this resolution. Intervening in the debate on the resolution, the minister of state for Home Affairs, Mr K. C. Pant, expressed the hope that elections to Orissa legislature would be held early next year. The Election Commission, he added, was engaged in the delimination of constituencies and revision of electoral rolls. During the debate, members from both sides stressed the need for larger financial allocations for speeding up the development of Orissa. The House also approved a resolution raising the maxi- mum limit to which the Orissa State Electricity Board could raise a loan to Rs 75 crores.

ARC Bill

Parliament has passed the Agricul- tural Refinance Corporation (Amendment) Bill which sought to amend the parent act to enable the ARC to grant refinance accommodation to eligible institutions and marginal agriculturists without insisting on any security or guarantee.

The Lok Sabha took up for discussion this week an important bill for amending the Foreign Exchange Regulation Act of 1947. Moving the bill for the considera- tion of the House, the minister for Fin- ance, Mr Y. B. Chavan, announced tha branches of foreign companies presentl engaged in purely trading activities woul

ave to convert themselves into Indian ompanies. In case the companies were ngaged in manufacturing operations also, he policy, Mr Chavan added, would be o ensure that foreign capital participation, xcept in respect of the companies engag- n priority sectors such as export orienta- ion, is reduced to 40 per cent over a period f time. The Finance minister further tated that while we might still require oreign inveetments in certain sophisticat- d branches of industry, there is no reason why we should allow foreigners and foreign companies to enter real estate business.

The bill seeks to remove certain inade- quancies and lacunae experienced in the working of the Foreign Exchange Regula- ion Act, 1947, during the past 25 years particularly those relating to the entry of foreign capital in the form of branches and malpractices by importers and exporters n invoice manipulation. It provides that Reserve Bank's permission should be ob- tained for the carrying on in India any ndustrial, commercial or trading activity or establishment of a branch or an office for carrying on such activities by a foreig- ner or a non-resident company in which the non-resident interest is more than 40 per cent.

directives to exporters

The bill further enables the central government to issue directives to expor- ters not to sell goods exported on a con- signment basis without obtaining prior permission of the Reserve Bank at a price which is lower than the value declared in the prescribed form in respect of the com- modities notified in this behalf by the cen- tral government. It as well empowers the central government to prohibit the export on consignment basis of any goods or class of goods or by any class of exporters or to any particular destination, if the government is of the opinion that the full export value will not be brought to India in prescribed manner and within the pres- cribed period.

The following important information was provided in the two Houses by vari- ous ministers:

(1) The completion of the four new heavy water plants being set up at Baroda, Kota, Tuticorin and Talcher is likely to be delayed owing to late delivery of equipment or fabrication of indigenous components. The Talcher project, which was sanctioned recently, is still in the preliminary stages. The Baroda project has reached an advanced stage of cons- truction, but is expected to be commis- sioned only by the middle of next year— after a delay of about 12 months. About 35 per cent of the civil engineering work has been completed in regard to the Kota project. Plant design, detailed en- gineering work and the layout of this project, of course, has been finalised. The orders for equipment have been placed. The plant is now expected to go into pro- duction in 1976. The civil engineering work in respect of the Tuticorin project is nearing completion. The erection of the plant and the piping work is expected to be taken up shortly. Till now, the progress of this project has been accord- ing to schedule, but the difficulties of pro- curing equipment from indigenous sources are likely to delay its commissioning till about the end of 1975. The Talcher project, according to the current schedule, is expected to be ready by 1976. Heavy water from these four plants is to be uti- lised in the generation of nuclear energy.

When both the atomic power stations in Rajasthan and Madras achieve their rated capacities, the requirements of heavy water would grow to 925 tonnes per annum. There is no plan under consider- ation as yet to expand the capacities of the atomic power plants presently under operation or construction. The basic strategy in the development of nuclear power is to maximise indigenisation in the construction of atomic power station. This involves heavy dependence on do- mestic industry for the manufacture of sophisticated equipment. The response from domestic manufacturers, both in the private and public sectors, has been quite encouraging.

(2) The Soviet Union has offered to supply us its latest range of computers of the RJAD series which are similar to the IBM-360 computers. There is, however, no offer from the Soviet Union in regard to the improved version of its computers equivalent to IBM-370 series. ICL India (the Indian branch of International Com- puters Ltd., a British firm) has expressed willingness to Indianise its capital struc- ture. The scope of the future activities of this concern in this country is being considered by the government. The Elec- tronics Commission had recommended proposals from the two giant foreign com- puter firms—IBM and ICL—for manu- facturing computers in India. Since IBM had a 100 per cent foreign participation, it had been decided that any manufacturing programme by IBM would be on a 100 per cent export basis, unless it offered a manufacturing programme of distinct technological merit.

(3) The best locations in the country would be given the highest priority for setting up new steel plants. Techno- economic feasibility studies are being conducted at various places to ... out their suitability for the ... steelworks. A working group of the ... istry of Steel has considered a pro... for Maharashtra and has recommen... that studies might be conducted to ... up a plant in the Rawghat-Sura... area in Chandrapur district.

(4) The demand for steel, whi... much more than the supply from indi... nous sources, has to be reduced ei... by raising the price of steel or by ot... regulatory measures.

(5) Additional capacity to the ex... of 2,35,000 tonnes of aluminium has b... licensed to meet the domestic requi... ments which are estimated to grow t... about 3,90,000 tonnes by the end of fi... Plan.

(6) The recent increase in bank ra... from six to seven per cent applies to ... advances from the Reserve Bank to c... operative banks with effect from Ma... 31 this year. Refinance by Reserve Ba... to co-operative banks is provided at tw... per cent below the bank rate, subject t... the latter fulfilling certain conditions re... garding mobilisation of deposits whic... have been prescribed by the Reserv... Bank from July 1 this year. The ultimat... lending rates are to be fixed by the co... operative institutions themselves. In view... of the general increase in interest rates... the rate of interest charged by co-opera... tive banks, it is expected, would continu... to be generally competitive as compare... to other agencies.

(7) Though the construction of th... Thein dam project has been cleared from... the technical angle, it has yet to be app... roved for execution. Final clearance... could not be given as certain issues have... yet to be settled between the concerne... states. Unless the states reach an agree... ment among them, it would not be possi... ble to start construction work.

(8) Separate support and procureme... prices are proposed to be fixed for whea... in the coming rabi season. The suppor... price for the next rabi season would be... announced in consultation with the chi... ministers of the wheat-growing sta... much before the sowings starts.

(9) Imported foodgrains are likely... to arrive in India in a phased ma... beginning next month.

(10) The country is likely to be s... sufficient in the production of long sta... cotton by the end of the fifth Plan per... except in the case of extra-long sta... varieties, small quantities of which ... continue to be imported.

The wealth gap

E.B. Brook
Vienna.

HOT days of August, like the cold s of the year's end, are a period when .politics and economics take a little e off. Those who have been hurrying rgent conferences are taking their holi-s and very few are even making state-ts. It is, indeed, a welcome break the public and even the currencies e picked up a little. Over west Europe hese bright sunny days there seems to political fog and the European Com-ity, or Common Market, appears to losing its way in the intense maze of ects it has undertaken to direct. There no fierce arguments lasting all night exceeding their time limits as there e frequently in the last decade: instead, with world trade talks and negotia-s with the "third world" ahead, the rket appears to be drifting instead of ing towards decisions. In the relaxed s of summer holidays this may be no thing—certainly better than the scan- in Washington—but in a month's

WINDOW ON THE WORLD

e the Market will have to make up its d on three important points. It must de on what terms it will trade across Atlantic, what relations it will have n developing countries and whether or it will formally undertake relations n the other great economic bloc of ope, Comecon of the Communist .

Judged by its programme, the time is rt. The Nine are coming up very n against their deadline set at the is summit last year—decisions on netary union, on regional funds and ut progress towards achievement of a pletely undefined "European Union" en years hence. Several of these sub-s are due to be decided by the end of year, together with possible reforms he Common Agricultural Policy—and re is no sign of the beginnings of a ision on any of them but plenty of indications that national interests in the old style, from Britain to Italy, are out-weighing the visions that began in the mind of M. Monnet and continued in that of President de Gaulle who spoke of "a Europe from the Atlantic to the Urals." Very much on the contrary, de Gaulle's successor, President Pompidou, is worried by the prospect that has haunted French politicians for a century—a working ar-rangement between West Germany and Russia. The French nuclear explosions in the Pacific are not only military scientific experiments but a demonstration that France is still very much in business as a major political power with no mind to accept the concept of the two "super-powers" or to allow the European Union to become a machine operating for the benefit of the Anglo-Saxons.

The summer has seen much defensive national action. The Italians have stemmed at last the flight from the lira by requiring the deposit, without interest, of an equi-valent sum to that exported: the West Germans, with far too much foreign money coming in for high interest and possible currency appreciation, have raised credit charges to an almost savage limit and the British have similarly increased lending charges to a historically discouraging rate. The prosperous Benelux countries and France are playing a waiting game to see how long the others can keep up their re-strictiveness and how long the United States will remain economically and mone-tarily a target. The European individual, in the meantime, compares notes with his not very familiar Market colleagues on personal budgets. The British, despite all their complaints, find their food costs them less than their Market partners, that they have more radios and television sets but, rather to their surprise, no more cars, and fewer refrigerators and washing machines than their west continental neighbours.

Despite all its much publicized wor-ries Europe as a whole, and especially west and central Europe, is an area of prosperity and of social and personal security. Citizens of all the communist countries have their, often quite consider-able, savings accounts and, in the west, personal sufficiency in money and the good things as well as the necessities of life is such that socialist parties find much of their classic literature deriving from the last century a positive embarrass-ment.

a great cleft

The inflow of labour—to Britain from Asia and Africa and to continental Europe from the south, south-east and north Africa—has significantly increased the well-being of west Europe's states and of the west European worker. There is now a great cleft between the indigenous workman and the incomer. The Euro-pean national has become the aristocrat of the working world and the condition of the incomer varies. It is nonsense to speak of the "guest workers" (to use the German euphemism) as "helots"—as some very reputable west European news-papers have done. But, in France, the Algerians (as they always did), the illegal Portuguese emigrant workers and the west Africans live in far greater squalor than do imported workers elsewhere in west Europe. In Holland, Turkish work-men have bought houses: in Austria, Yogoslav and Turkish workmen automa-tically become members of the Austrian trades unions, their children are educated free and their families have automatically all the state health and insurance bene-fits. In Switzerland the situation is simi-lar and, despite some dissatisfactions, the "guest worker" in West Germany has done very well for himself. At holiday times the stream of Yugoslavs and Turks driving their cars home create a jam on the Austrian roads.

This shared prosperity is good but it should not disguise the existence of sharp prejudices—some very right-wing Austrian and German papers have recently been writing about "rabble"—or the fact that so much well-being is going to make the Common Market a very hard bargainer when the negotiations with forty-one deve-loping countries resume in Brussels on October 17. The African countries need to ensure that their three groups—the Commonwealth states, the Yaounde countries of former French allegiance and the "new associates", including Ethiopia—are not played off against one another.

The Commonwealth group is the most populous and easily the best off and there is risk that this fact may be used to the disadvantage of the others

The industrially and otherwise developing countries as a whole face an even more dangerous discrimination than any likely to emerge from trade negotiations—the fact that official and other easy credit from both capitalist and communist countries is imposing crippling debts over long periods on the borrowers. The excessive liquidity of European and American governments and banks has made money all too easy to obtain by Asia, Africa and South America. The anxiety is not all one-sided. While borrowers face soaring annual interest and amortisation costs some of the lenders are beginning to worry whether the return of their money may not be delayed or even, in some cases, defaulted. In either case, the situation spells intensified political friction between the rich and employing nations and the borrowers and labour-sources. Some venturesome banks may suffer not a little financial anguish if there worst fears are realised.

There is a somewhat wry contrast between the urgings of such excellent men as M. Claude Cheysson, the Market Commissioner in charge of development aid policy in Brussels, who last month described the wealth gap between the industrially developed world and the developing as "morally intolerable, politically dangerous and economically unsatisfactory", and the worried complaints of Eurodollar bankers who, awash with f[illegible] aggressive to attract borrowers, [illegible] in anxiety whether they are [illegible] get their money back and, if so, [illegible]

It is an unhealthy situation [illegible] when international bankers have [illegible] excess of funds that they will take [illegible] internationally they would never [illegible] of doing domestically and when, [illegible] continent alone—Europe—there [illegible] wealthy, employing north and [illegible] and the poorer, labour-supplying [illegible] and south-east. In some ways [illegible] division more dangerous than th[illegible] ween the NATO and the Warsaw [illegible] states, even though both the latter [illegible] immense forces and nuclear weap[illegible] maintain equality. In the latter [illegible] there is equality of a sort; in the for[illegible] there is not and probably never can be

The changing face of food scarcity

Lester R. Brown

THIS YEAR's sharp increase in food prices has alerted consumers throughout the world to some surprising changes that are taking place in world food demand and supply. Many factors—including the poor rice harvest in Asia, the shortfall in last year's Soviet wheat crop and the disappearance of the anchoveta off the cost of Peru—have combined to dramatise the world food situation this year. But today's shortages and rising prices also reflect long-term trends and should not be viewed as merely temporary phenomena.

Although many developing nations in Asia—the great food importers of the past—are now producing a much greater share of their own food needs, economically advanced nations such as the Soviet Union and Japan are now the leading food importers.

These two countries alone imported 28 million and 17 million tons in grains respectively this past year compared to India's imports of just under ten million tons during the food crisis years of 1966 and 1967. In addition to global population growth, rising affluence has emerged as a major factor in the burgeoning world demand for food.

These changing trends are building a strong case for stepping up international efforts to aid the agricultural development of the poor countries. Over the next decade, there is far greater unrealised potential for achieving large, relatively low-cost increases in agricultural production in many developing countries than there is in the more agriculturally advanced nations. With appropriate organisation, economic incentives, and agricultural inputs, food production in such key countries as Brazil, India, Indonesia, and Nigeria could be greatly expanded to help meet the increased demand.

During the 1960's, the world food problem was perceived as a food/population problem—as a race between food and people. At the global level, it remains the dominant cause of increasing demand for food; merely maintaining current per capita consumption levels will require a doubling of food production over the next generation. But beyond this pressure of population on supply rising affluence is also emerging as a major new claimant on world food resources.

This impact of rising affluence on demand for food can best be illustrated by its effect on consumption of cereals, which dominate the world food economy. In the poor countries, annual consumption of grain averages about 400 pounds (181 kilograms) per person. Virtually all of this small amount must be consumed directly to meet minimum energy needs. In the United States and Canada, by contrast, per capita grain use is approaching one ton per year. All but 150 pounds (68 kilograms) of this per ca[illegible] total is consumed indirectly in the [illegible] of meat, milk, and eggs. In the case [illegible] beef alone, annual per capita consumpt[illegible] in the United States has grown from [illegible] pounds (25 kilograms) in 1940 to [illegible] pounds (53 kilograms) in 1972. Dur[illegible] the same period, the American populat[illegible] has expanded by 57 per cent. Altogeth[illegible] national beef consumption has trip[illegible] making the United States a leading b[illegible] importer.

In the northern tier of industrial cou[illegible] tries, stretching from western Eur[illegible] through the Soviet Union to Japan, d[illegible] tary habits now more or less approxim[illegible] those of the United States in 1940. [illegible] incomes continue to rise in this group [illegible] countries a sizable share of the additi[illegible] income is being converted into dema[illegible] for livestock products, particularly be[illegible] Many of these countries lack the capa[illegible] to satisfy the growth in demand for li[illegible] stock products entirely from indigen[illegible] resources. As a result, they are import[illegible] increasing amounts of livestock produ[illegible] or of foodgrains and soybeans with w[illegible] to expand their livestock production

As world demand climbs, due to [illegible] population growth and rising a[illegible] several important constraints on furt[illegible] pansion of efforts to expand global f[illegible] production become increasingly app[illegible] The traditional approach to [illegible] production—expanding the area [illegible]

ation—has only limited scope for the ure. Some more densely populated intries, such as Japan and several wes- n European countries, have been ex- iencing a reduction in the land used for p production, while other parts of the rld have been losing disturbingly large eages of crop land each year because of ere erosion.

An even more important constraint in future may be the shortage of water for ricultural purposes. In many regions of world, fertile agricultural land is avail- e if water can be found to make it pro- ctive. Yet most of the rivers that lend mselves to damming and to irrigation ve already been developed. Future efforts expand fresh water supplies for agricul- al purposes will increasingly focus on h techniques as the diversion of rivers in the Soviet Union), desalting sea ter, and the manipulation of rainfall terns.

One of the key questions concerning ure gains in agricultural production Can the more advanced countries tain the trend of rising per acre (hec- e) yields of cereals? In some countries reases in per acre are beginning to slow wn, and the capital investments requir- for each additional increase may now rt to climb sharply. In agriculturally vanced countries such as Japan, the therlands, and the United States, the t per increment of yield per acre is ris- for some crops. What impact the rgy crisis will have on food production ts and trends also remains to be seen. sing energy costs may cause farmers gaged in high-energy agriculture, as in United States, to hold down future duction increases.

In looking ahead, there is reason for rticular concern about the difficulties of panding the world protein supply to et the projected rapid growth in de- nd.

ajor constraints

Two major constraints are operative in case of beef. Agricultural scientists ve not been able to devise any commer- lly viable means of getting more than e calf per cow per year. For every mal that goes into the beef production ocess, one adult must be fed and other- se maintained for a full year. The her constraint on beef production is that grazing capacity of much of the rld's pasture land is now almost fully lized. This is true, for example, in ost of the US Great Plains area, in east rica, and in parts of Australia.

A further potentially serious constraint efforts to expand supplies of high quality protein is the inability of scientists to achieve a breakthrough in per acre yields of soybeans. Soybeans are a major source of high-quality protein for livestock and poultry throughout much of the world and are consumed directly as food by more than 1,000 million people throughout densely populated east Asia.

In the United States, which now produces two-thirds of the world's soybean crop and supplies about 90 per cent of all soybeans entering the word market, soybean yields per acre have increased by about one per cent per year since 1950; corn yields, on the other hand, have increased by nearly four per cent per year. One reason why soybean yields have not climbed very rapidly is that the soybean, being a legume with a built-in nitrogen supply, is not very responsive to nitrogen fertilizer. Close to 85 per cent of the dramatic four-fold increase in the US soybean crop since 1950 has come from expanding the area devoted to it—a process which cannot continue indefinitely.

protein from oceans

The oceans are our third major source of protein. In 1969, 20 years of sustained growth in the world fish catch was interrupted by a sudden decline. The catch has since been fluctuating rather unpredictably, while the amounts of time and money expanded to bring it in continue to rise every year. Many marine biologists now feel that the global catch of table grade fish is at or near the maximum sustainable level. If, as currently seems probable, the global fish catch does not continue rising, in the next decades as it did during the last two, the pressures on land-based protein sources can be expected to increase substantially.

Although there are substantial opportunities for expanding the world's protein supply, it now seems likely that the supply of animal protein will lag behind growth in demand for some time to come, resulting in significantly higher prices for livestock products during the 1970s than prevailed during the 1960s. We may be witnessing the transformation of the world protein market from a buyer's market to a seller's market, much as the world energy market has been transformed over the past few years.

Since World War II, the world has been fortunate to have, in effect, two major food reserves. One was in the form of grain reserves in the principal exporting countries and other in the form of reserve cropland idled under farm programmes in the United States. As world consumption expands, so should the size of global grain reserves, but the trend over the past decade has been one of dwindling reserves and climbing consumption.

One-seventh of US cropland, o roughly 50 million acres (20 million hec tares) out of 350 million acres, (242 mil lion hectares) had been idled under farm programmes for more than a decade Though not as quickly available as th grain reserves, most of this acreag can be brought back into productio within 12 to 18 months once the decision is made to do so.

In recent years, the need to draw down grain reserves and to utilise the reserve of idled cropland has occurred with increasing frequency. This first happened during the food crisis years of 1966 and 1967, and again in 1971 as a result of the corn blight in the United States. In 1973, in response to growing food scarcities, world grain reserves once more declined, and the United States again restored to cultivating its idled cropland, but to a much greater degree than on either of the two previous occasions. Government decisions in early 1973 permitted at least two-thirds of the idled cropland to come back into production, and the government announced plans to eliminate all payments for idled cropland in the 1973-74 crop year. In the years ahead, world food reserves may become chronically low, and the idled crop acreage in the United States may decline sharply or even disappear entirely. Consequently there is the prospect of very volatile world prices for the important food commodities.

population growth

The possibility of a chronic global scarcity of food resulting from growing pressures on available food resources underlines the need to stabilize and eventually halt population growth in as short a period of time as possible. Current demographic trends suggest that this conceivably may take place in the industrial countries. In the poor countries, however, it will be much more difficult to achieve. For one thing, the historical record indicates that birth rates do not usually decline in the absence of a certain improvement in well-being—a reasonable standard of living, an assured food supply, a reduced infant mortality rate, literacy, and health services.

Population-induced pressures on the global food supply will continue to increase if substantial economic and social progress is not made. Populations that double every 24 years—as many are doing in poor nations—multiply 16-fold in scarcely three generations!

These population trends, together with

ne emerging constraints on food produ on, also call for serious consideration f the creation of an internationally anaged world food bank, as the FAO, as proposed, to maintain some semblance f order and stability in the world food conomy. Just as the US dollar can no nger serve as the foundation of the nternational monetary system, so US griculture may no longer have sufficient xcess capacity to ensure reasonable sta- ility in the world food economy.

A world reserve could be built up in imes of relative abundance and drawn lown in times of acute scarcity. In effect, he cushion that surplus American agri- ultural capacity has provided for a generation would be provided at least partially by a world food bank. A sys- em of global food reserves would provide measure of price stability in the world ood economy that would be in the self- nterest of all nations. The world com- nunity of course also has a basic humani- arian interest in ensuring that famine does not occur in the densely populated low-income countries following a poor crop year—an assurance the affluent nations may be less able to provide in the future.

One of the most immediate means of expanding the food supply clearly is the return of idled US cropland to produc- tion. Over the longer run, however, the greatest opportunities for increased pro- duction are in the developing countries, the world's greatest reservoir of untapped food production potential.

The changing nature of global food scarcity and the diminishing capacity of the international community to respond to food emergencies both build a convinc- ing case for strengthend support of agri- cultural development in such populous food-short countries as Bangladesh, India, Indonesia, and Nigeria.

In these countries having the appro- priate organisation, economic incentives fertilizers, water, and other necessary agri- cultural inputs, the introduction of new wheat and rice varieties has increa production substantially. The jump per acre yields in developing co appears dramatic largely because the yields traditionally have been so low re lative to the potential. But today ri yields per acre in India and Nigeria st are only one-third those of Japan, an corn yields in Thailand and Brazil are le than one-third those of the United State Large increases in food supply are pos ble in these countries at far less cost than agriculturally advanced nations if farme are given the necessary economic incer tives and the requisite inputs.

Concentrating efforts on expandir food production in the poor countri could reduce upward pressure on wor food prices, create additional employme in countries where continuously rising u employment poses a serious threat t political stability, and raise income, ar improve nutrition for the poorest porti of humanity—the people living in rur areas of the developing countries.

—*Courtesy*: USI

e prime minister ad-
es press conferences but rarely, he is less sparing in her use of the e of special interviews to individual alists. So far as the knights, white herwise, of the Indian press who have thus favoured are concerned, these views have been more or less com-ble vehicles for an ego trip. This is o deny that Mrs Gandhi has invari- been the greater gainer. On the ary, the published versions of these ts have invariably been the autho- rather than the literal accounts of might have passed at these inter- and I would like to add, for good ure, that the prime minister's secreta- eems to have acquired by now quite proficiency in editing and not merely ng drafts submitted to it by the red (and obliging) pressmen. The t is that, if we come across anything eat at all in these press interviews of rime minister, the credit goes usually foreign journalists. Miss Oriana ci, for instance, managed to serve pretty hot stuff some time ago.

ere is however one observation by Gandhi in the interview she gave to *alist India* for publication in its pendence Day Number which, to say east, is rather intriguing. Said Mrs hi: "I have been saying that we a financial wizard who could get us of this rut and on to an entirely diffe- system." I would like to know to m she has been saying this. For nce, has she been saying this to Y. B. Chavan who happens to be the nce minister in her administration? only god but everybody knows that Chavan is no financial wizard. Never- ss, even his battered ego should find fficult to live with the fact that the e minister has judged him to be so sly wanting in the qualities or talents ed to cope with the current economic of the country. I wonder whether e is another instance of a prime ster expressing so publicly and in so y words such profound distrust in the of capacity of her colleague to cope his portfolio.

order that one may be fair to Mr van, it may be added, however, that the blame for creating an economic situation which demands the ministrations of wizardry or witchcraft rather than sound judgment and efficient action, should be laid not merely on the Finance minister but on the government as a whole and the prime minister in particular. The prime minister has confessed in her interview to *Socialist India* that her government, for some years now, has been living from hand to mouth. She has trotted out a whole series of excuses for this fecklessness and the Bangladesh crisis naturally figures in this list. But surely Mrs Gandhi ought to realize that the people of this country are tired of being told that if India finds it difficult to save itself today, it is because it saved Bangladesh yesterday.

The truth of course is that, whether Bangladesh or no Bangladesh, the country was headed anyhow towards economic stagnation, thanks to the misguided and often mischievous economic policies of Mrs Gandhi's government. The inherent bias towards stagnation in an economy caught between traditional mass poverty and continuing growth of population could have been corrected only by raising the level of savings and/or investment. Everything that the present government in New Delhi has failed to do and, even more so, practically everything it has done in the last four years have been calculated to violate this imperative of economic growth. If prices are rising, shortages are spreading and unemployment is growing, it is entirely because the prime minister and her disastrous advisers have seen to it that there is no surge of genuine savings or advance in levels of investment in productive enterprise. What could save the country in this situation is not witchcraft, for which the prime minister seems to be shopping, but the moral integrity on the part of its rulers that would embolden them to concede the error of their ways, the intellectual integrity that would enable them to see how things could be mended in the national interest and the political integrity that would encourage them to act firmly in the right direction. It is more Mrs Gandhi's responsibility than Mr Chavan's or any other cabinet minister's to summon these qualities to the aid of the government and make it possible for it to discharge its debt to the governed.

Talking of moral or political integrity in the government, surely this is the point at issue in the current efforts to bring the two Congresses together. As I had suggested in these columns in the *Eastern Economist* of August 17, TTK is passionately convinced that the Congress could be saved in Tamilnadu only if Mrs Gandhi manages to come to an understanding with Mr Kamaraj. It appears that Mr C. Subramaniam has also come to share this conviction at last. The idea of a limited concordat with Mr Kamaraj that would salvage the position of her party in Tamilnadu is obviously one which should easily appeal to Mrs Gandhi. The snag is that Mr Kamaraj, apparently, is not yet ready to let bygones be bygones.

It would be unfair to Mr Kamaraj to attribute this to his feelings of injured pride or wounded vanity. Not that he has got over the feeling that he has suffered ingratitude at the hands of Mrs Gandhi but, besides and beyond feelings of a personal nature which may be influencing Mr Kamaraj, is the undeniable fact that he does feel sincerely that Mrs Gandhi has done grave damage to the cause of democracy as well as the Congress as a national organization by her gross violation of party discipline. He is also persuaded that the current economic ills of the country are due in the main to the wrong policies she has been pursuing since the Congress was split, often for furthering merely her party's interests and not infrequently for promoting her own political advantages. In the circumstances, however great the temptation may be for him to organize an effective opposition in Tamilnadu politics to the embattled DMK or the militant ADMK, it is not going to be easy for him to view political cooperation with Mrs Gandhi purely from the angle of the exigencies in the politics of his state. This explains perhaps the confident mood of Mr Asoka Mehta's assertion that the two Congress organizations could come together only in terms of an understanding on an all-India basis and would certainly justify Mr Morarji Desai's scepticism about the success of any attempt at horse-trading by Mrs Gandhi. On the question that she should purge herself of the act of indiscipline which resulted in the splitting of the Congress, Mr Kamaraj and Mr Morarji Desai may be nearer to each other than is convenient to the Mrs Gandhi camp

VB

MOVING FINGER

TRADE WINDS

Assistance from Netherlands

The Dutch Credit Aid to India Agreement amounting to guilders 68 millions was signed on Augnst 22 by our Ambassador on behalf of the President of India and Mr P. C. Mass, President of the Netherlands Investment Bank for Developing Countries. This loan agreement, referred to as XVIII Loan, forms the financial contribution which the Netherlands government has undertaken to make to India for the year 1973-74 within the framework of the India-Consortium of the International Bank for Reconstruction and Development. The loan is for utilisation by India for programme and project assistance within the framework of India's development plans. A special feature of this year's loan agreement is that India will be free to make commitments up to a maximum of guilders 45 million for special long term projects with a resultant disbursement spread over two or three years. These disbursements will be considered to be included in the total amount of the financial assistance for the respective years by the Netherlands government within the framework of the India-Consortium if and when made available to India.

Mini Steel Mills in Asia

A subcommittee of the Economic Commission for Asia and the Far East has recommended the setting up of mini steel plants in the developing countries of the region which did not have the necessary capital or raw material to go in for large integrated steel plants. In a note for the eight-day twelfth session of the subcommittee on metals and engineering which opened in New Delhi on August 22, the subcommittee's secretariat pointed out that new technology had greatly improved the viability of mini steel mills. Plants with 50,000 to 300,000 tennes annual capacity were now able to compete with large integrated works, and a number of developing and developed countries were now going in for these. Almost 40 per cent of the total steel production in Spain came from mills ranging in size from 50,000 to 250,000 tonnes while western Europe had about 60 such plants ranging from 10,000 to 30,000 tonnes. According to the note, the steel consumption in the developing countries of the region which now stood at 36 million tonnes (giving a per capita consumption of 19 Kg. against the world average of 160 Kg) was likely to reach 90 million tonnes by 1980.

Bonus Report

The Bonus Review Committee hoped to submit its reports by the end of this year or early Janurry, its chairman, Mr B.K. Madan, told newsmen recently. Explaining the delay in the finalisation of the report, Mr Madan stated that deliberations of the committee were practically at a standstill since the death of one of its members, Mr Satish Loomba, AITUC general secretary, in an air crash. Despite the requests from the Union Labour Minister, the AITUC had declined to nominate its new representative on the committee. The Labour Minister had requested the committee through a letter dated August 9, to continue its deliberations as he had failed to pursuade the AITUC to nominate its member on the committee, Mr Madan said.

Labour Productivity

A steering group consisting of one representative each of nine national trade union organisations and the chairman and executive director of the National Productivity Council has been constituted to suggest measures to actively associate workers in raising production and productivity on a national scale. The group, which will report within six months, will study in depth the consensus arrived at a two day national seminar on productivity and trade union movement which concluded in New Delhi on August 20. The seminar, organized by the National Productivity Council, provided a forum for a dialogue between the council and the trade union representatives and among trade union representatives themselves, regarding the approach of the trade unions to the need for raising productivity.

Sugar Capacity

The Development Council for Sugar Industry, which ended its two day session in New Delhi recently has suggested that the licensing capacity of the industry be increased to seven million tonnes keeping in view the projected demand during the fifth Plan. The Council estimated that country's sugar requirements by the end of 1979 were likely to be about six million tonnes. It was proposed that early steps be taken to build up buffer stocks of sugar beginning from the current season. The council discussed the impact of the attack on sugar cane crop by pests in northern India and recommended immediate aerial spraving. It suggested that incentives for early crushing should be announced in advance. The release of sugar should be maintained at a steady level to avoid speculation. It was pointed out that the increase in sugar cane area this year was estimated to be 15 to 20 per [illegible] estimates for [illegible] production were 4.5 [illegible] nes.

Export Awards

Nine national [illegible] 30 certificates of [illegible] presented by Mr A. C. [illegible] deputy minister for Co[illegible] recently for outstand[illegible] formance in the field o[illegible] during 1969-70. A [illegible] tee under the preside[illegible] of Mr M. C. Chagla [illegible] up to select awardees [illegible] their export performa[illegible] ing 1969-70. The [illegible] official members of t[illegible] mittee were the pres[illegible] Federation of Indian [illegible] Organisation, the Feder[illegible] Indian Chamber of C[illegible] & Industry and the A[illegible] Chamber of Comm[illegible] Industry. Following [illegible] mendations of the c[illegible] nine awards and 30 c[illegible] of merit were present[illegible] following:

Winners of Award[illegible] Banaras Art House [illegible] handloom silk fa[illegible] Bank of India, F[illegible] exports (3) M/s Chem[illegible] Corporation, Hyd[illegible] Acid and chlorine; [illegible] Esmario Export En[illegible] Frozen sea-foods; [illegible] Gedore Tools (India) [illegible] Drop-forged and ot[illegible] tools; (6) M/s Kama[illegible] ering Corporation Ltd [illegible] ering goods; (7) [illegible] Mineral Development [illegible] tion Ltd. Iron ore [illegible] monds; (8) M/s Tata [illegible] Ltd Engineering [illegible] textiles and other pr[illegible] M/s Nava Bharat E[illegible] Pvt. Ltd Unmanufa[illegible] leaf tobacco.

Winners of Certi[illegible] **Merit** (1) M/s A[illegible] (India) Pvt. Ltd. E[illegible] goods; (2) M/s [illegible] (India) Pvt. Ltd. P[illegible] ing; (3) M/s C[illegible] tres, Fountain pens [illegible] pens and spares; [illegible] Cochin Co. Pvt. Ltd [illegible] prawns; (5) M/s [illegible] Ltd. Dyes, p[illegible] and binder mat[illegible] E. Hill and Co. [illegible] Woollen carpets; (7) [illegible]

g & Printing Works, printed silk stoles scarves; (8) Handloom t Promotion Council, oom products; (9) M/s Agencies, Handicrafts; M/s Hoechst Dyes and cals Ltd, Chemicals and aceuticals; (11) Indian Mills Association, Carpet g (12) Indian Oil Coron Ltd. Octane, asphalt (13) M/s Industrial g Co, Pharmaceuticals; M/s Jg. Glass Industries Ltd, Flasks, refills and (15) M/s Kashmirilal rilal and Co., Green tea; M/s Lohia Jute Press Ltd. Polylind jute bags aks; (17) M/s Madura Co. Ltd, Cotton piece and yarn; (18) Maha- Small Scale Industries opment.Corp.Engineering hides &skins and handi 19) M/s Nagesh Hosiery Knitwear; (20) M/s P. aul Lalah and Sons, Curder; (21) M/s Peirce Lesdia Ltd., Cashew Kernel ashew shell liquid; (22) recious Industries, Plastic cal accessories; (23) M/s Silk Mills, Screen d terywool dress materi-4) M/s Sudarshan Chemindustries Pvt. Ltd. Pigand intermediates: (25) . Abdul Wahid and Co, tanned goat and sheep (26) M/s Tata Finlay nstant tea; (27) M/s The Textiles Co. Pvt. Ltd, abrics; (28) M/s V. N. vel Nadar and Bros, Carn; (29) M/s Vijoyalaxmi v Co., Cashew kernel and nut shell liquid; (30) M/s Walker Anjaria and vt, Ltd, Raw wool

oleum Prices d

e union ministry of Pet- & Chemicals has notihat keeping in view the pments in the price of il, it has been decided to e the basic ceiling selling of motor-spirit-93 and spirit 83 (the two grades rol), packed bitumen (all and naptha with effect August 22, 1973. The e in the basic ceiling prices of motor-spirit d motor spirit 83 would 99.77 and Rs 98 per kilolitre respectively. This would have the net effect in both cases of increasing the retail price of petrol by 10 paise per litre. The increase in the price of lubricants and greases (all grades) would be Rs 400 per tonne. Packed bitumen price (all grades) has been increased by Rs 50 per tonne. In the case of naptha, the price increase would be Rs 60 per tonne on an *ad-hoc* basis both in the cif as well as basic ceiling selling prices.

All oil companies have been notified the revised cif prices of bulk refined petroleum products. They have also been informed that the basic ceiling-selling prices of various bulk refined petroleum products except motor-spirit-93, motor-spirit-83, naptha and packed bitumen (all grades) will remain unchanged. The loss to the marketing companies for not allowing corresponding increases in the case of products other than the four mentioned above has been compensated by suitable increases in the prices of these four products.

Export Incentives Scheme

A sub-Committee consisting of some members of the Consultative Committee for the ministry of Commerce and the officials will be set up shortly to review the export incentive schemes. This was announced by the union minister of Commerce, Professor D. P. Chattopadhyay, at the meeting of the Consultative Committee recently. The committee is expected to make a thorough appraisal of the various export incentive schemes and submit its findings shortly. While making observations on the Cash Assistance Scheme, Prof. Chattopadhyay felt that this was not governed by uniform set of rules and regulations. He expected that the Chakravarty Committee would go deep into the matter. The Commerce minister further said that the scheme of cash assistance was related to the finishing productive capacity of the raw material and as such the in-built mechanism of conversion of raw material into finished product was also to be taken into account.

In the context of the competitiveness in the international market, cash incentive scheme was also linked up with the net value added.

Delegation for UNCTAD

A three-member Indian delegation led by Mr Y. T. shah, secretary of Commerce, went to attend the annual session of the Trade and Development Board of the UNCTAD in Geneva. The other members were Dr R. M. Honarar of the Indian High Commission in London and Mr S. Narasimhan, deputy secretary in the ministry of Commerce. The session of the Trade and Development Board of the UNCTAD, which started from August 21, 1973, will provide an opportunity to the Group of 77 to harmonise their position with respect to the Multilateral Trade Negotiations. The session has acquired another special significance as it is meeting on the eve of the Ministerial Session to the General Agreement on Trade and Tariff in Tokyo, which will launch the Multilateral Trade Negotiations.

Novino Dry Cells

Lakhanpal National Ltd. has started marketing its dry cells manufactured in its plant at Baroda, in collaboration with Matsushita Electric of Osaka, Japan. NOVINO is the Indian counterpart of National and Panasonic of Japan which are well-known all over the world for high quality products in the electrical and electronic fields. The collaborators hold 40 per cent of the share capital of the company. The factory at Baroda has been completed in record time as the ceremony of digging the first sod was performed on August 15, 1972.

The company proposes to make 20 million dry cells in the first year, taking it to 40 million in the second year and 60 million in the third year. The total capacity sanctioned by the government so far is 60 million dry cells every year. The company hopes to increase its capacity to 120 million; it has undertaken to export five per cent of its production.

The demand for dry cells has been increasing at a very fast rate in this country. In 1972 619 million pieces of dry cells were produced and sold in this country. It means that 1.1 pieces per person were consumed last year. The demand was distributed in this way : 50 per cent for torches and 45 to 47 per cent for transistor radios.

Mr D.D. Lakhanpal, chairman and managing director of this company, has won laurels in the Indian radio market through the popular Murphy radios which are widely acclaimed for their high quality.

Indo-Iraq Oil Talks

The vice-president of Iraq, Mr Saddam Hussein, on August 19 received the union minister for Petroleum and Chemicals, Mr D. K. Borooah at a special interview lasting more than one hour when matters of mutual economic and technical co-operation were reviewed. Mr Borooah who is the Indian chairman of the Indo-Iraqi Economic Cooperation Commission, was accompanied by the Ambassador, Mr K. R. P. Singh. Mr Borooah is currently leading an eight member delegation for talks in depth regarding various aspects of economic co-operation particularly in the field of oil.

Indo-Sri Lanka Co-operation

The third meeting of the Indo-Sri Lanka Sub-Committee on Economic Cooperation was held in New Delhi on 24-25 August 1973. The first meeting of the committee was held in India and the second in Sri Lanka. The three-member Sri Lanka delegation was led by Dr H.A.De.S. Gunasekera, secretary, ministry of Planning and Employment, government of Sri Lanka. The other members of the delegation were Mr M. Sivanathan, secretary, ministry of Industry and Scientific Research and Mr Velyauthan, an officer of the Extennal Research Division of the Sri Lanka government. The Indian Delegation

was led by Mr B. K. Sanyal, additional secretary, ministry of External Affairs. Mr J. R. Hiremath, joint secretary, Department of Economic Affairs, Mr S. K. Bagchi, joint secretary, minsitry of Commerce and Mr Abid Husain, joint secretary, ministry of Industrial Development, were the other members of the Indian delegation.

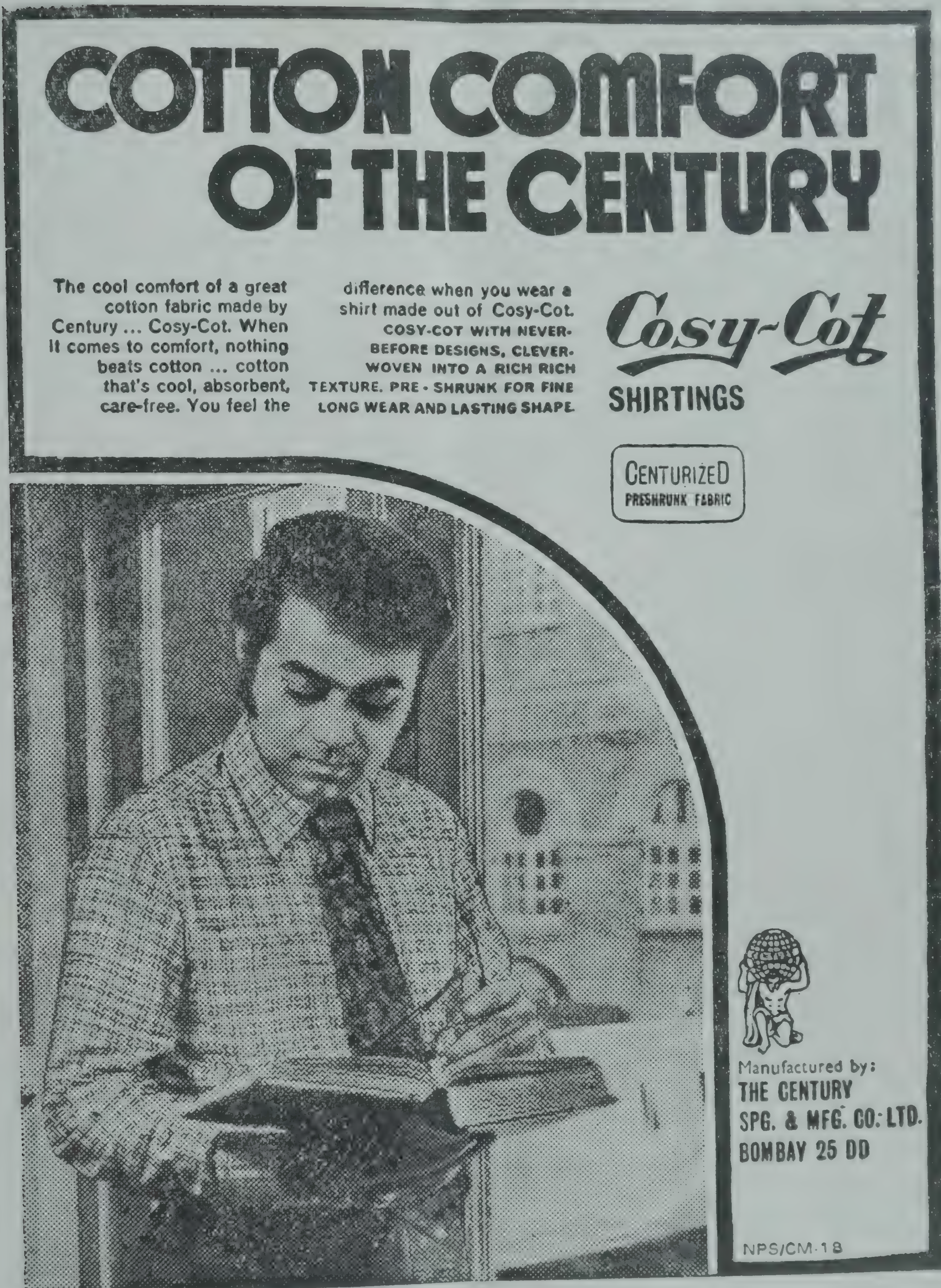
Power Cut in Hindalco

Hindalco's production has dropped from normal 220 tonnes per day to 100/110 tonnes per day due to power shortage, rendering almost half of the production capacity idle and a large number of workers having to be laid off. This idle capacity is in addition to the 15,00 tonnes newly expanded capacity lying idle since about a year for want of power. The UP State Electricity Board besides reducing the power supply, under its normal long term Agreement, by 0 per cent, has also refused to supply emergency power under the Parallel Emergency Assistance Agreement under which power supply becomes necessary when any of Hindalco's two captive 67.5 MW each thermal units is closed for repairs. Such power is charged by the UP State Electricity Board at a prohibitive and uneconomical rate of 14.3 paise per unit and even though at this rate the cost of manufacture of aluminium of power alone amounts to Rs 2,850 per tonne, against the selling price of Rs 3,980 per tonne of metal. In the interest of the country's economy as a whole, and in view of the extreme shortage of aluminium in the country, Hindalco was using this costly power for maintaining continuous production.

It may be remembered that Renusagar is one of the very few thermal stations in the country which is working at an efficiency of about 90 per cent since its very inception, any this has been mainly possible only on account of proper maintenance of the plant. In the event of the UP State Electricity Board refusing to supply power for such maintenance stoppages, Hindalco will have no option but to keep a large portion of its Plant stopped or alternatively keep one of the thermal units as a stand-by. It may be mentioned that the annual overhaul of these sets which was due in March-April this year had been postponed at the special request of the UP State Electricity Board so long. But, now on account of the conditions of the thermal units due to the delay in the annual overhaul has been such that any longer postponement of annual overhaul would have been ruinous to the equipment. The work on the expansion is completely stopped since last few months pending necessary approvals and/or permissions from the Government.

Names in the News

Mr C. E. Kamath is to be the new chairman and managing director of Canara Bank for a period of three years from September 3, 1973. He will replace Mr K.P. Prabhu.


COTTON COMFORT OF THE CENTURY
The cool comfort of a great cotton fabric made by Century ... Cosy-Cot. When it comes to comfort, nothing beats cotton ... cotton that's cool, absorbent, care-free. You feel the difference when you wear a shirt made out of Cosy-Cot.
COSY-COT WITH NEVER-BEFORE DESIGNS, CLEVER-WOVEN INTO A RICH RICH TEXTURE. PRE-SHRUNK FOR FINE LONG WEAR AND LASTING SHAPE.
Cosy-Cot
SHIRTINGS
CENTURIZED
PRESHRUNK FABRIC
Manufactured by:
THE CENTURY
SPG. & MFG. CO. LTD.
BOMBAY 25 DD
NPS/CM-18

COMPANY AFFAIRS

Century Enka

THE BOARD[1] OF Directors of Century Enka proposes to issue, subject to the consent of the Controller of Capital Issues (CCI) bonus shares in the ratio of one share for every two shares held by capitalising a sum of Rs 1.25 crores out of the company's free reserves. They have also decided to issue 46,875 equity shares of Rs 100 each as right shares at a premium of Rs 175 per share or such other premium as may be determined by the CCI to the Indian shareholders other than the promoters. The rights shares will be offered after the bonus issue.

Zenith Steel

Zenith Steel Pipes has stepped up the equity dividend to 14 per cent for the year ended April 30, 1973 from 12 per cent paid for 1971-72. The enhanced equity dividend is well covered by the year's earnings. While sales recorded a modest increase from Rs 9.50 crores to Rs 9.70 crores, the gross profit moved up sharply by nearly 25 per cent to Rs 93.34 lakhs from Rs 74.71 lakhs in the preceding year. Out of the gross profit, the directors have appropriated Rs 14.55 lakhs to depreciation reserve, Rs 0.20 lakh to development rebate reserve and Rs 43.91 lakhs to taxation as against Rs 14.54 lakhs, Rs 4.80 lakhs and Rs 34.25 lakhs provided respectively in 1971-72. This leaves a subsantially higher net profit of Rs 34.68 lakhs as compared to Rs 21.12 lakhs in the previous year. These encouraging working results were achieved by the company in spite of a number of adverse factors such as steep increase in the cost of production, power restrictions from October last and a lower production of pipes on account of inadequate supplies of steel. Meanwhile the company has decided to establish at Khopoli an electric arc furnace for the manufacture of steel ingots and billets at a cost of Rs 90 lakhs within the annual capacity of 25,000 tonnes. Orders for the main plant and equipment have already been placed and the plant is expected to go on stream during the third quarter of 1974.

CIMMCO

The Central India Machinery Manufacturing Company Ltd has reported further improvements in its working results during the year ended March 31, 1973. With a sharp upswing in sales from Rs 8.94 crores to Rs 11.46 crores, gross profit moved up steeply to Rs 64.44 lakhs from Rs 54.15 lakhs in 1971-72. The directors have once again skipped the dividend on equity shares. The dividends on preference shares, however, have recommended. Although sales recorded a handsome rise, the profitability did not increase proportionately on account of the unremunerative prices imposed by the Railway Board. This has been further aggravated by the severe power cut and inadequate supplies of certain critical items. Out of the gross profit the directors have provided a sum of Rs 30.77 lakhs for gratuity Rs 23.11 lakhs to depreciation reserve, and Rs 0.55 lakh to development rebate reserve leaving a surplus of Rs 10.01 lakhs. After writebacks and other adjustments the disposable surplus amounts to Rs 13.04 lakhs out of which Rs 6.00 lakhs was transferred to dividend reserve and Rs 7 lakhs to general reserve.

The working of textile division during the year under review was quite satisfactory. The order position has improved considerably. The delivery against a single order of 400 automatic looms from a south Indian textile mills has commenced. With the recent government decision to permit expansion of loomage by existing units, the order position is expected to improve further. In the matter of plain looms, the orders on hand are sufficient to absorb production for the next 18 months. Besides a trial Japanese order for plain looms has been booked and steps are being taken to book more export orders. The position in respect of warping and winding machines is also equally encouraging. The steel foundry division reported further improvement in its performance. A large number of new items have been developed. Defence orders were executed satisfactorily and repeat orders have been received. The wagon division has developed two new types of wagons namely petrol tank wagon and CRT-type wagon. The company already has orders in hand which are to be executed in the current year. The manufacture of wagons against an order from Iraq are in progress and the order will be completed this year. As far as the structural division is concerned the management expects bulk defence orders for heavy ammunition trailers which have already been approved by the authorities. Manufacture of sluice and radial gates for power and irrigation projects, e.o.t. cranes and other special equipment are in progress against pending orders. Besides steps are being taken to diversify the divisions activity by undertaking the manufacture of specialised areas including pressure vessels.

Southern Petro-chemical

The second call of 20 per cent is being made by Southern Petro-chemical Industries Corporation which will bring the total paid-up capital to 9[illegible] per cent of the face value. The SPIC's share is being quoted in various stock exchanges at the end of July between Rs 14.25 to Rs 14.50 for Rs [illegible] paid-up share. Owing to the revaluation of the yen, budgetary imposts and for reasons of a similar nature, SPIC's project costs had been revised upwards from Rs 73.95 crores to Rs 83.24 crores. Out of the cost of Rs 83.24 crores, expenditure incurred on the project till the end of July 197[illegible] is of the order of Rs 35.[illegible] crores. Meanwhile the company has commissioned its main substation on August 17, 1973, well ahead of schedule. The SPIC has programmed for the completion of the main substation by the end of August 1973, the water treatment plant by the end of October 1973, and the offsite boiler by the end of December 1973. By dint of meticulous planning, detailed coordination and persistent follow up, it has been possible for SPIC to advance the commissioning of these facilities by a period ranging from three to six weeks.

Simco Meters

Simco Meters decided some four or five years ago to diversify its line of manufacture and this has proved to be the most imaginative, prudent and pragmatic decision the Board of Directors has taken in recent years. The turnover in its sidelines increased during 1972-73 by as much as 150 per cent over last year and it has facilitated the company in keeping its earnings at a high level which has enabled it not only to service its long-term loan obligations but also to maintain its dividend. What is more, the company is fanning out into more sophisticated

of activity. Thanks to the ent work done by the rch and Development on the whole range po- actor meter has found ercial acceptibility at the of eletricity boards and board manufacturers. the company has re- encouraging orders for pe of meters. The Re- and Development divi- as also produced proto- of professional air vari- capacitors to meet the ng requirements of the e services apart from manufactured several sophisticated tools and nically controlled sys- which constitute crucial of import substitution. aximum demand indica- gister has been success- leveloped and is at pre- ndergoing vigorous tests. oo will be a significant owards import substitu- These were highlighted Chairman Mr S. Nara- amy while addressing nual general meeting of mpany.

drastic cuts in power affected adversely the ons of the company 1972-73. The com- as is the case with units manufactures are large- ended for electricity had to bear the double ment of a power cut urtailed operations and ine in the demand of manufactured by them. the disturbed political ons in Andhra Pradesh d its deliveries to the lectricity board. How- livery orders have since ceived for the balance. mpany has also bagged from Sri Lanka for ex- single-phase meters. liveries are expected to npleted before the end current financial year. esearch and Develop- Division continued to n its splendid perfor- in its field. During the sum of over Rs 3.70 as transferred to R&D, the aggregate invest- o this division to Rs akhs which is approxi- just over a third of the capital of the com- dequate steps are also being taken by the company to insulate itself against power cuts in future years. An indigenous diesel set has already been installed and orders have also been placed for the import of another set from GDR. This diesel set is expected to be commissioned before the end of 1973.

India Tobacco

As a part of its diversification programme India Tobacco Company Ltd is setting a chain of hotels at Delhi, Agra and Madras. The proposal has been already cleared by the government. Moreover in recent years the company has emerged as one of the largest exporters of marine products. Encouraged by the commendable success it has achieved in this field the company proposes to expand its operations by establishing three processing factories and acquiring a fleet of trawlers. The factories, it is noteworthy, will be located in backward regions. The company is awaiting government's approval. These observations are contained in the Chairman, Mr A.N. Haksar's annual statement circulated to the shareholders of the company.

The company has maintained its splended record in the field of exports. Starting with a modest figure of Rs 22 lakhs in 1970-71, exports have steadily advanced to Rs 2.33 crores in 1971-72 and further up to Rs 3.92 crores in 1972-73. In the current year exports are anticipated to touch the handsome figure of Rs five crores. It is significant to note that this is the highest by any company in the industry, representing a favourable export earning of Rs 3.3 against each rupee of the foreign dividend. In other words there is thus a favourable inflow rather than an adverse drainage of foreign exchange. Although the company has maintained a high level efficiency as a result of its modernisation programmes, technological innovations and better utilisation of plant, its work force has not gone down but increased steadily over the years. To create more jobs through new investment the company has selected certain diversified activities which are labour intensive. Thus the existing and immediately foreseeable operations will involve 40,000 people, which with families, will mean about two lakhs of individuals engaged in the various manufacturing activities of the company.

Research no doubt is very expensive but it will be meaningless unless the huge money spent on it can be converted into tangible economic benefits.

The company, therefore, places great emphasis and spends a very considerable amount on the development and follow up activities flowing from the findings of research. The latest contribution to R&D is its integrated research centre set up in Bangalore at a capital cost of Rs 50 lakhs.

Empirical evidence in the cigarette industry shows that the increase in total production to meet growing demand does not increase concentration of production on the contrary it diminishes. It is estimated that a coordinated excise taxation and growth policy between 1965-66 and 1972-73 would have yielded the same level of revenue as the government is obtaining today without a heavy burden on the consumer. The industry volume too would likely have been 105 million pieces as compared with the actual figure of 60 billion in 1972-73. Such a policy of overall growth, without restrictive measures on individual volume production, the chairman emphasised, would result in diminishing concentration increasing professionalisation, an escalating multiplier effect, fuller utilisation of resources invested, mobilisation of resources for priority areas and emergence of new entrepreneurship.

Jenson & Nicholson

Jenson & Nicholson has launched a new product 'Brolac'—India's first polyurethane enamel—in the Indian paint market. Jenson & Nicholson started manufacturing paints in the country in 1923 with the establishment of its first Factory at Naihati, West Bengal. Today the company has a second Factory at Panvel near Bombay. With its 10 Divisional sales offices, 13 stock points and a vast network of stockists and dealers —Jenson & Nicholson have one of the finest distribution set-up in the country. In 1953 Jenson & Nicholson introduced Plastic Emulsion Paint for the first time in India under the famous brand Robbialac. Once again, on the occasion of its Golden Jubilee, Jenson & Nicholson introduce India's first Polyurethane Enamel—BROLAC. Polyurethane is the latest development in resin technology to produce an extremely tough protective film. Its rock hard finish resists wear better than conventional synthetic enamel. In the last few years polyurethane enamel has been a resounding success in western countries. Brolac is offered in an exciting range of colours. Although Brolac is the most advanced enamel offering many significant and tangible bene-

fits, it costs no more than the leading brands of conventional synthetic enamels.

Unit Trust

The sale and repurchase prices of the units of the Unit Trust of India were raised by five paise each to Rs 10.60 and Rs 10.30 per unit respectively with effect from August 22.

News and Notes

(Expansion and Diversification)

Greaves Cotton and Co has decided to enter the field of fish export. To support this activity, the company has got the sole concessionary rights from New India Fisheries in which it intends to secure a controlling interest by acquiring 55 per cent of its paid-up capital of Rs 30 lakhs. The necessary government approval has already been received. The company has also applied for government permission to enter into a collaboration agreement with Lombardini Fabrica Italiana Motori S.P.A. for the manufacture of advanced types of diesel engines. Meanwhile, the construction of the Nasik factory for the manufacture of roller cutter rock bits, which has slowed down on account of cement shortage is now expected to be completed by April 1974. The production will start by the middle of 1974 subject to the government approval for the remittance of payment to the foreign collaborators for their technical knowhow.

New Issues

Vikrant Tyres Ltd which is setting up a unit for the manufacture of automobile tyres and tubes in a backward area adjacent to the Mysore City will be entering the capital market sometime in October by offering to the public for subscription equity shares worth Rs 3.60 crores. The company holds an industrial licence to manufacture annually five lack tyres and tubes and 3,000 tonnes of camel back. The product mix will include nylon and rayon cord tyres and tubes for several types of vehicles including passenger cars, trucks and tractors. The company hopes to commission at least 30 per cent of the rated capacity of the plant in about two years and the full capacity is likely to be achieved within 12 to 18 months of the start of the first phase. The company has entered into an agreement with Technoexport Foreign Trade Co. of Czechoslovakia which has already been approved by the government. According to the agreement the foreign collaborators will supply and set up the plant on a turn-key basis and also provide the technical know-how. Besides they will extend deferred payment facilities for Czech machinery worth Rs 5 crores and guarantee the performance of the plant and quality of its products. The capital outlay on the project is placed at Rs 18 crores and it will be financed by the share capital of Rs six crores and institutional loans and deferred payment facilities aggregating Rs 12 crores. The gross sales of the company at full production are estimated at Rs 33.42 crores and the earnings after depreciation at Rs 2.23 crores. The management expects to declare a maiden equity dividend of 15 per cent within the next five years.

Thirani Chemicals Limited is setting up a cent per cent indigenous plant, claimed to be the first of its kind in the country for the manufacture of precipitated and activated calcium carbonate of high grade quality, at Sahibabad Industrial Area, near Delhi. The unit with an installed capacity of 5,000 tonnes per annum is expected to be on stream in April 1974. The total cost of the project will be Rs 40 lakhs. The outstanding features of the present are that calcining will be done in a specially designed oil fired lime kiln and the drying equipment is based on the latest development in particle size processing. The company is expected to enter the capital market in October 1973 for public subscription and the management is quite confident of declaring a maiden dividend of 10 per cent from the very first year of production.

Company Meetings

The Simplex Mills Company Ltd: Walchand Hirachand Hall, Indian Merchants' Chamber Building, Veer Nariman Road, Fort, Bombay; September 6; 4.30 P.M.

The Tata Oil Mills Company Ltd. Birla Matushri Sabhagar, 19 Marine Lines, Bombay 400 020; Septem
11; 4.30 P.M.

Interim Dividends

Albright, Morarji and [illegible] dit has declared an [illegible] dividend of Rs 5 per [illegible] share or ten per cent for year ending October 31, [illegible] A sum of Rs 3.50 per [illegible] out of this dividend is e[illegible] ted to be free of tax. [illegible] company had paid a tot[illegible] vidend of 15 per cen[illegible] 1971-72.

Dividends

(Per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Pullangode Rubber & Produce Co.	March 31, 1973	10.0	Nil
Dimakusi Tea Company	December 31, 197	25.0	20.0
Gokak Mills	December 31, 1972	18.0+	15.0
Premier Cotton	March 31, 1973	18.0	12.0
Super Spinning Mills	March 31, 1973	18.0	12.0
Sri Ramakrishna Mills (Coimbatore) Ltd.	March 31, 1973	12.0	[illegible]
Dyes Distributors India Ltd	March 31, 1973	20.0	18.0
Sri Krishna Rajendra Mills	March 31, 1973	10.0	8.0
Same Dividend			
Facit (Asia) Ltd	March 31, 1973	15.0	15.0
Gokul Rubber	December 31, 1972	15.0	15.0
Nagri Farm Tea Co.	December 31, 1972	12.5	12.5
Shree Vallabh Glass Works	March 31, 1973	12.0	12.0
Alegeshwar Estates	March 31, 1973	6.0	6.0
Zandu Pharmaceutical	March 31, 1973	6.0	6.0
Kanoria Chemicals and Industries	March 31, 1973	10.0	[illegible]
Reduced Dividend			
Belapur Sugar & Allied Industries	September 30, 1972	14.0	[illegible]
Gillanders Arbuthnot & Co.	March 31, 1973	10.0	12.0

+On enlarged capital.

POYSHA INDUSTRIAL COMPANY LIMITED

Summary of the Chairman's Review for the Year 1972-73

HE total sales in 1972-73 for the entire group (Poysha, ira Can, Colrige and Indus- l Factors) excluding excise e Rs. 1047.69 lakhs as aga- Rs. 989.29 lakhs in the pre- us year. Poysha's sales were 773.82 lakhs as against Rs. lakhs. The increases were ually due to the higher costs tinplate and the consequent her prices of the tin contai- s, and not to greater produc- n. In fact, the production Bombay, Ghaziabad and chin dropped to 64.82 mil- n containers as compared to 46 million containers pro- ced in 1971-72. Non-avail- lity of tinplate, unwilling- s of clients to pay higher ces for the containers and, to ne extent, the strike in the aziabad Factory and the wer cut there and at Thana ve all contributed to the ght fall in production.

Our subsidiary, Kaira Can mpany, has received a licence May this year, increasing its pacity from 15 million to 30 llion cans per annum. It also ceived permission to manufac- e battery jackets and com- nents.

Our new subsidiary, Indus- al Factors, has started the anufacture of composite cans d promises to establish itself this field.

Our technical collaboration reement with American Can mpany of the U.S.A. has been alised, effective from 1st nuary, 1973. Already a two- y communication has been ablished between us and nerican Can Company's te- nological division dealing th their international opera- ns. We shall now be in con- ual touch with the latest ad- nces in foreign technology d introduce them into our n operations as and when sible. Discussions are under y for the creation of a full- dged Research and Develop- nt wing which should bear uit in the near future.

It is regrettable that our Government continues to be indifferent towards the food-processing industry. In a country with an exploding population and chronically inadequate food resources, one would expect that special efforts would be made to improve and expand the food-processing industry. Unfortunately, the very opposite is the case. Though "Sanitary Cans" and "Canned and Preserved Fish" are treated as priority industries, the 2000 odd food processors in the country are gradually being squeezed out of existence on account of successive imposts on tinplate, additional excise duties on the cans and on the end-products. The President of the All-India Food Preservers Association rightly said that the food-processing industry could be used to attain a number of national objectives: for the profitable diversification of agriculture, increase in employment opportunities, expansion of exports, improvement of nutrition, and for the creation of a strategic food supply for Defence. Encouragement to the food-processing industry will also help to stabilise food prices and to create an emergency reserve of high quality food for distribution during emergencies such as drought and floods.

It is unfortunate that, as against the 25 per cent of food processed in Japan and Israel, 30 per cent in Australia, 40 per cent in the U.K., only 0.5 per cent is processed in our country. Even the U.S.S.R. which processes 15 per cent of food has realised the urgent need for the large-scale expansion and improvement of its food-processing industry. She has recently entered into a three-year collaboration with American Can Company for achieving this objective.

At home, Rourkela has not yet been able to produce tinplate of the required quality in spite of having one of the most sophisticated plants in the world. It has not yet been able to take up the continued manufacture of lower base-weights of tinplate, while all advanced countries have been steadily diminishing the average thickness of the tinplate they produce, nor has it been able to plan the manufacture of 2 C.R. and tin-free steel. The inability of our large steel producers to make tinplate of the right quality, in adequate quantities, has been a serious handicap to the development of various industries vital to the economic advancement of the nation.

Negotiations for the purchase of land in Tamil Nadu and for procurement of the capital goods for our proposed units in Tamil Nadu and West Bengal are continuing with a fair measure of success.

Prospects for the coming year appear reasonably good, provided the tinplate situation improves.

Bombay: 24th August 1973 — M. R. RUIA, *Chairman.*

This does not purport to be a report of the proceedings of the Annual General Meeting.

COMPANY NOTICES

Best & Company Private Ltd.

Regd. Office: 13/15 North Beach Road, Madras-600001

Notice Under Section 23(8) of the Monopolies and Restrictive Trade Practices Act 1969.

Notice is hereby given to the public that the Company has made an application on 27 August 1973 to the Government of India, Department of Company Affairs, New Delhi-1 under Section 23(8) of the Monopolies and Restrictive Trade Practices Act 1969 for their permission to acquire twenty thousand number equity shares of rupees one hundred each fully paid in The Crompton Engineering Co. (Madras) Ltd., Madras—600001.

Any person interested in the matter may if he so desires intimate to the Central Government in the Department of Company Affairs within fourteen days from the date of publication of this notice his views with regard to the above proposal contained in the application and also the nature of his interest therein.

For Best & Company Private Ltd.,

S. Sankara Subrahmani
Secretary

Madras
Dated: 28 August 1973.

The Gwalior Rayon Silk Mfg. (WVG.) Co. Ltd.

Regd. Office: Birlagram, Nagda, M.P.

Notice

NOTICE is hereby given that the Twentysixth Annual General Meeting of the Shareholders of the Company will be held at GRASIM CLUB, Birlagram, Nagda on Friday the 14th September, 1973 at 4.15 P.M. (S.T.) to transact the Ordinary and special business mentioned in the Notice dated the 17th August, 1973 accompanying the Annual Report and Accounts for the year ended 31st March, 1973 separately posted to the Shareholders of the Company individually at their Registered Addresses.

The explanatory statement as required under Section 173 of the Companies Act, 1956, relating to the special business is annexed to the Notice.

NOTE:

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.

Shareholders are requested to intimate to the Company change in their registered addresses if any.

By Order of the Board
B. N. Puranmalka
Secretary

August 24, 1973

Speech delivered by Shri V. Krishnamurthy, Chairman & Managing Director at the Seventeenth Annual General Meeting of

HEAVY ELECTRICALS (INDIA) LIMITED

and the Ninth Annual General Meeting of

BHARAT HEAVY ELECTRICALS LIMITED

held at New Delhi on Saturday, August 25, 1973.

Gentlement:

I welcome you to the 17th Annual General Meeting of Heavy Electricals (India) Ltd., Bhopal, and the 9th Annual General Meeting of Bharat Heavy Electricals Limited, New Delhi. The accounts for the year 1972-73, as audited, are for your consideration and adoption.

THE YEAR'S RESULTS

Heavy Electricals (India) Ltd., Bhopal

The value of production for 72-73 was Rs 56.8 crores, as against Rs 42.4 crores for 71-72, registering an increase of 34%. You will be happy to know that this Company has made a profit of Rs 5.08 crores in the year under review. Generating equipment to a capacity of 450 MW was delivered to the customers.

Bharat Heavy Electricals Ltd., New Delhi

Production increased by 40% and sales by 82% over that of last year. Total value of production in the three units of BHEL rose to Rs 84.2 crores in 72-73 as against Rs 60.3 crores in the previous year. Tiruchi's supplies reached an equivalent of 800 MW, Hardwar and Hyderabad together supplied 650 MW of turbines and generators. The value of production in the Tiruchi Unit was of the order of Rs 43 crores as against Rs 33.6 crores last year; that of Hyderabad was Rs 21.5 crores as against Rs 16.2 crores, and that of Hardwar Rs 23.1 crores as against Rs 13.1 crores. The year's profit is Rs 8.2 crores as against Rs 3.19 crores in 1971-72. I am confident that the balance of Rs 7.3 crores of accumulated losses of BHEL will be wiped off in 1973-74.

BHEL and HE (I) L

Many of the problems relating to the Electrical Industry are common to both BHEL with its constituent units at Hardwar, Hyderabad and Tiruchi, and HE(I)L at Bhopal. Some of the general observations to follow, and the statistical information given, are for the industry as a whole covering both BHEL and HE(I)L. Shortly both these companies will merge.

Orders filled

I am glad to report that during the year 1972-73 supplies were completed in the case of 8 hydro sets and 7 thermal sets totalling to a generation capacity of about 1,100 MW. Compared to the previous annual average of about 300 MW of power equipment supplied by BHEL and HE(I)L to customers in the last few years, the delivery of 1100 MW of equipment in one year in 1972-73 was a record. In addition, about 2,500 MVA of power transformers, electrics for building 150 Diesel and Electric Locomotives and EMUs for the Railways and 1800 circuit breakers ranging from 11 kV to 220 kV were supplied from the factories of BHEL and HE(I)L. Roughly 30% of the manufactured equipment was delivered to the Railways, Steel Plants and Petrochemical industries.

Capacity and Capability

The outlay on factory facilities of BHEL and HE(I)L is currently of the order of Rs 196 crores; the output in value is Rs 141 crores. Full utilisation of the installed capacity is the constant theme of the Hon. Minister for Heavy industry. We have taken a series of steps to ensure optimum utilisation of our plants by 1975.

The organisation at the Corporate and Unit levels is being restructured to meet this task; systems and procedures are being simplified. A system of decentralised and effective administration at Unit levels is being introduced. We expect our production to rise in value to over Rs 200 crores this year, and our delivery of equipment will exceed 2000 MW capacity to Electricity Boards. By 1975, we will make an annual delivery of nearly 3000 to 3500 MW of power equipment at which level optimum utilisation of facilities is ensured.

Our enlarged role

In the view of the Hon. Minister for Heavy Industry, we are not mere manufacturers of power equipment. Our role is much bigger; we are partners in the national endeavour for satisfactory power and industrial development in this country. A reorientation of the Commercial and Design Departments to fulfil the above role is under way. We will be in constant touch with the various State Electricity Boards, CWPC and other industries right from the stage of project reports for new power stations and transmission networks so that timely supplies of equipment to the required specifications can be made. We have re[...] up a full fledged R & D [...] to keep ourselves fully a[...] of the latest developme[...] this field. The efforts of [...] unit will be devoted to sta[...] ardise and simplify the de[...] of our products, so as to m[...] them economical, easy [...] maintenance and operation.

Power Crisis

Now to the subject wh[...] has been discussed in p[...] and public during the last y[...] the power crisis. A num[...] of agencies in the Governm[...] and elsewhere have attrib[...] the power crisis to four m[...] causes:

(a) Unprecedented failure [...] monsoon resulting in [...] duced hydro-power gen[...] tion.

(b) Unsatisfactory mainten[...] of equipment and coal s[...] ply position in Ther[...] Power Stations;

(c) Delays in the supply [...] plant and equipment [...] indigenous manufactu[...] and

(d) Delays in the execution [...] the power projects du[...] various constraints.

It is true that one of [...] causes for the power short[...] is the delayed supply of po[...] equipment. It is unfortun[...] that due to a variety of rea[...] the supply of hydro turb[...] and generators for Ukai, R[...] ganga Kulhal, Khodri, Sh[...] vathy and Chenani had b[...] delayed for varying peri[...] On Thermal Stations, the [...] formance has been bet[...] However, even here, signific[...] delays occurred in the case [...] Chandrapura of DVC a[...] Namrup in Assam. We [...] trying our best to retrieve [...] position and are fairly co[...] dent that in this year such [...] pages in delivery schedules [...] not recur.

Shortages of equipment : The correct picture

While acknowledging [...] there has been some de[...] the power equipment, tot[...] to about 900 MW, we w[...] like to put the whole pi[...] in proper perspective [...] context of frequent critici[...] the indigenous manufact[...] industry. In some of [...] cent reports by the M[...]

Irrigation and Power, it has n mentioned that about MW of generating capa- could not be commissioned ng the Fourth Plan period ng to the delay in the sup- of indigenous equipment. report of the Committee of er Ministers also made a lar point. Certain factual repancies seem to have t into this figure of 1400 or other figures put out ifferent agencies. This list ides Rana Pratap Sagar er Station of the Depart- t of Atomic Energy, where power equipment is to be rted. It also includes akkam Atomic Power on and a few other stations h were expected to be missioned only in 1976 or , and were never included benefits in the Fourth Plan. ese projects are excluded, outside limit of the slip- attributable to indige- manufacturers would not ed 900 MW, as against tal shortfall of over 3000 in power generation cau- y several extraneous fac- The failure of BHEL HE(I)L is not the whole of power crisis. Supply quipment is only one part. nalysis of the total pro- has revealed many other es as listed elsewhere. If oment delay is the main there is no reason for the commissioning of many cts where equipment was able well in time.

a conference of State r Ministers held last year, mmittee was formed to e the Ministry of Irriga- and Power on the availa- y of indigenous power oment for the Fifth Plan d. This Committee came e conclusion that the in- ous manufacturers can y only 15,150 MW of po- equipment for the Fifth against our estimate of 16,500 MW. It was on sumption that 24 months equired for the erection ommissioning of a 200 power plant, whereas in iew 12 months are ade- if all the equipment re- l was delivered.

me shortcomings in the erformance of BHEL and L have been cited by the Committee as an argument for seeking imports of power equipment. These, in the Committee's view, are:

(a) Long delivery schedule required for indigenous equipment, resulting in longer cycle time to commission a power project;

(b) Quality of indigenous equipment.

Regarding the first point, I do not know whether a general conclusion like this can be drawn from a few instances. On the other hand, I can cite a few instances of power projects completed in about four years with indigenous equipment, viz. Ennore in Madras, Harduaganj in Uttar Pradesh and Indraprastha in Delhi; a large Thermal Station in Bhatinda is likely to be commissioned in 54 months. The comparatively shorter cycle time in these cases is due primarily to quicker and coordinated deliveries by us. It also gives credit to the Electricity Boards. We commissioned a 60 MW station in Malaysia in 3o months against international competition to the satisfaction of the customer. With the steps that have been taken I am happy to say that the delivery of the first unit for any 200 MW Thermal Station will commence in 24 months from the date of the order and on settlement of all technical details; it could be completed in about 36 months; the delivery period in respect of 110 MW units could be even shorter. This fits in well with the time span of 5 years assumed by the power authorities in India for commissioning a Thermal station. For hydro stations the delivery period will be 30 to 48 months. For other products like Motors, Transformers and Switchgears the delivery period ranges from 12 months to 36 months depending upon the type of equipment.

The other point made relates to the quality of indigenous products. Apart from the normal teething troubles the performance of our equipment has been held to be generally satisfactory.

The truth about power equipment—imported or otherwise

The hydro sets at Obra, Bassi and UBDC, the Thermal sets at Basin Bridge, Ennore Harduaganj and Delhi 'C' and a host of Power Transformers and other equipment supplied by BHEL/He(I) L have not given any major trouble. Our cutomers in the industrial fields are satisfied with the performance of our equipment. Surely, the quality strandards of the manufacturer cannot vary so much from one line of manufacture to another. Well-trained operating and maintenance personnel are necessary to get the best out of the highly sophisticated equipment in a Thermal Power Plant.

Two rotors out of five imported turbines recently installed at Pathrathu Station were reported defective, and are being repaired at Hardwar. A similar repair job was done on another rotor of the imported Turbine at Korba. The imported runner of the Sabarigiri Hydro Scheme developed defects and was rectified in one of our works recently. Recently, the motors of I D Fan of the imported Ramagundam Boilers failed twice and had to be rectified in our Hyderabad Works. There was a major explosion in one of the imported boilers in a prestige aluminium complex in India, resulting in the shutting down of one of their power plants for some time. The delay in the commissioning of two important Fertilizer Plants, which were otherwise complete, is stated to be mainly due to the rectification work done on many of the imported equipment. In a prestige fertilizer complex just being commissioned, it was seen that the prime mover and compressor supplied by a leading foreign manufacturer were running in opposite directions!

I am just citing these instances of major deficiencies noticed in recent weeks in imported equipment only to point out that such defects are not uncommon. It is impossible to guarantee at all times an absolute trouble-free operation in a complex power station wether in this country or elsewhere. The performance of an equipment is also dependent on its operation and maintenance. What the customers should look for in a manufacturer is the alertness with which he reacts to such situations and whether he has the necessary expertise to remedy them.

Providing proper maintenance for longer life: a new BHEL unit opens

The Spare Parts and Service Unit recently set up by us is to provide specialist service for maintenance and operation to State Electricity Boards. This Department will have the necessary specialised tools, and will also stock the necessary spare parts. A nucleus of expert engineers will also be available on call from State Electricity Boards. I do hope that the services of this Department will be taken full advantage of.

Imports

In the context of the recent power crisis, views were expressed that import of Turbosets should be allowed. I am of the view that there should be no hesitation in importing power equipment wherever the indigenous availability does not match the requirement of Power stations. This policy is being followed, and there have been many instances where imports have been allowed. BHEL themselves took the initiative last year, examined all Hydro-schemes coming up in the immediate future, and advised all concerned of the schemes for which equipment may have to be obtained from elsewhere. But, if we imagine that problems of power development in the country will be solved immediately on importing a generating plant, we may be erring. There are many instances even now where principal equipment is lying at site at power stations, but the work on the projects could not proceed for a variety of other reasons despite the best efforts of all concerned.

Moreover, any decision on importing a generating plant could only be taken after the equipment available from indigenous sources are fully tried. Even the conservative estimate of the Committee of Power

Ministers have placed the indigenous availability at 15,100 MW. As against this, the orders with BHEL HE(I)L as on April 1973 was only about 10,500 MW against the Fifth Plan targets. There is still over 4500 MW of production from indigenous plants yet to be tied.

The myth about higher prices

The public are being constantly told both through the Press and the pulpit that the prices of indigenous equipment are far higher than those of imported ones. My predecessors have convincingly argued that under Indian conditions, where none of the raw materials or components are available at international prices, it is naive to expect that a locally manufactured power equipment could be sold at international prices. There is considerable force in these arguments.

Yet some time back, more as a measure of of self-discipline than as a reaction to this criticism, the Board of Directors of BHEL and HE(I)L decided to supply all power equipment, in which we hold a monopoly, at the landed cost of comparable imported equipment. These are the Thermal and Hydro-generating plants.

I would now quote a few instances of the prices of imported equipment as compared to those of ours, and leave you to judge how far the criticism is valid.

Recently, a deal was concluded with a renowned foreign supplier for import of two numbers of 27.5 MW of Hydroturbines and Generators. The landed cost of this equipment is Rs. 600 per kilowatt for Turbines and Generators, and Rs. 750 per kilowatt inclusive of valve. Against this, our prices for comparable Hydro equipment are Rs. 245/- per KW for Obra, Rs. 203/- per KW for Ukai, Rs. 240/- per KW for for Kalinadi and Rs. 250/- per KW for Koyna. Our more recent quotation for Pench Hydro Electric Scheme is Rs. 550/- per KW. For Subernarekha, we have quoted less than Rs. 400/- per Kilowatt.

Prices being quoted for the 120 MW sets or 110 MW sets to Thermal Stations in India are lower than the prices at which Singapore and Malaysia ordered similar equipment from other manufacturers after a competitive global bid.

It is well known that we do not hold a monopoly in the production of High Pressure Boilers, Valves, Switchgears and Transformers. In respect of these products, we tender in competition with other manufacturers in the private sector.

I am confident that in respect of all standard equipment, our prices are not higher than those of imported equipment, provided the comparative prices are those quoted by reputed firms for commercial transactions, and not dump prices which some foreign suppliers quote for a variety of non-commercial reasons.

Easier financial terms

The normal international payment terms for electrical equipment stipulate a 50% of the price to be paid as a time-bound progressive payment, and the balance to be paid on delivery of supplies. Our earlier payment terms conforming to the international norm were recently revised to accommodate the financial position of Electricity Boards.

We now ask for a 10% advance, and the balance against progressive supplies. Although this has affected our financial position, I would like to continue to try this experiment for some time to give relief to the State Elecricity Boards, provided the bills for supplies affected are paid promptly. As on date, more than Rs. 40 crores are due to us from the Electricity Boards against supplies already made. This has affected our financial position considerably.

Some of the analysis made earlier is not an attempt to explain away our failures. We are conscious of our faults, as well as our responsibilities in the larger context of service to the tax-payer. It would be our endeavour to gear up our organisation to international standards, and thus to gain the confidence of our customers. I am glad to say that in recent months, a co-ordinated approach has developed between the Ministry of Irrigation and Power. CW&PC, State Elecricity Boards and ourselves which augurs well for the future of power growth in this country. I am indeed grateful to them and would earnestly appeal for a li[...] more patience. With [...] generosity and constant g[...]ance, I expect to impr[...] service to their satisfaction.

Grateful thanks

One word about our em[...]loyees. The year witnesse[...] further strengthening of co[...] relations between us--emp[...] —in this public sector orga[...]sation. The word "Mana[...]ment" in its commonly acce[...]ed sense is a misnomer in P[...]lic Sector Projects. All of [...] are employees working towa[...] a common goal—the po[...] growth in this country. [...] Negotiating Committte w[...] representatives from all U[...] and Heads of National Tr[...] Unions is already examin[...] the wage structure and its [...]lated aspects. It is our obj[...] to usher in a participative s[...]tem of management. In t[...] collective endeavour. I h[...] had nothing but unstinted c[...]operation from leaders of N[...]tional Trade Unions, our [...]credited Unions and my c[...]leagues in these two great [...]ganisations for which I [...] deeply grateful.

(This does not purport [...] be a record of the proceedi[...] of the Annual General Me[...]ings.)

SAA BHEL 10[...]

RECORDS AND STATISTICS

holesale

ices

WHOLESALE prices as mea-
d by the official index
the year ended March,
=100) rose by 4.0 per cent
2.1 in May, 1973 as against
for April, 1973. The
at this level was higher
.1 per cent when compared
ay, 1972. The rise in the all
modities index during May,
has been shared by an
nce in all the constituent
ps. The rise was of the fol-
ng order: Food articles
8 per cent to 271.6), liquor
obacco (+1.0 per cent to
8), fuel, power, light &
icants (+0.2 per cent to
8) industrial raw materials
.2 per cent to 267.1) chemi-
(+0.4 per cent to 209.2),
inery & transport equip-
t (+0.1 per cent to 172.6)
manufactures (+0.2 per
to 186.6).

articles

e sub-group indices for
als' and 'pulses' advanced
.4 and 4.0 per cent to 251.2
374.0 respectively due to
er prices of all the cereals
pulses (except wheat in the
of cereals and moong under
s which fell). This was
nsible for pushing up the
for 'foodgrains' by 2.7
ent to 273.5 At this level
ndex for 'foodgrains' was
higher by 21.9 per cent
compared to that of a year
The sub-group index for
s & vegetables': moved up
.4 per cent to 266.9 due
gher prices of all the items
r this sub-group except
is which did not record
any change. The index for 'milk & milk products' sub-group went up by 4.2 per cent to 254.7 due to a rise in the prices of milk & ghee. The sub-group index for 'edible oils' registered a rise of 9.0 per cent to 312.9 due to an advance in the prices of groundnut oil, gingelly oil, coconut oil and mustard oil. The sub-group index for 'fish, eggs & meat' rose by 7.9 per cent to 322.0 owing to an increase in the prices of all the items inder this sub-group. The sub-group index for sugar & allied products went up by 6.0 per cent to 290.5 due to an increase in the prices of 'sugar, gur & khandsari.' Among other 'food articles', the prices of spices & condiments, and salt advanced. while those of coffee and betelnuts declined, The index for this sub-group, however, moved up by 4.1 per cent to 185.5.

Liquor & tobacco.

The index for A 'liquor & tobacco' went up by 1.0 per

Index Numbers of Wholesale Prices by Group & Sub-groups

(Base: 1961-62=100)

Group & Sub-group	May 1973	April 1973	May 1972	Percentage change May 1973 / April 1973	Percentage change May 1973 / May 1972
Food articles	271.6	256.8	219.0	+5.8	+24.0
Food articles	273.5	266.2	224.3	+2.7	+21.9
Cereals	251.2	245.4	211.4	+2.4	+18.8
Pulses	374.0	359.7	281.9	+4.0	+32.7
Fruits & vegetables	266.9	225.4	213.1	+18.4	+25.2
Milk & milk products	254.7	244.5	226.1	+4.2	+12.6
Edible oils	312.9	287.0	190.3	+9.0	+54.4
Fish, eggs & meat	322.0	298.3	262.4	+7.9	+22.7
Sugar & allied products	290.5	271.7	249.3	+6.9	+16.5
Others	185.5	178.2	163.1	+4.1	+13.7
Liqour & tobacco	247.8	245.4	217.8	+1.0	+13.8
Fuel power, light & lubricants	187.8	187.5	178.1	+0.2	+5.5
Industrial raw materials	267.1	244.7	173.4	+9.2	+54.0
Fibres	201.7	187.5	151.6	+7.6	+33.0
Oilseeds	334.7	299.0	191.2	+11.9	+75.1
Minerals	144.7	143.1	138.7	+1.1	+4.3
Others	249.4	238.9	177.4	+4.4	+40.6
Chemicals	209.2	208.4	200.3	+0.4	+4.4
Machinery & transport equipment	172.6	172.5	165.9	+0.1	+4.0
Electrical machinery	175.6	175.3	170.0	+0.2	+3.3
Non-electrical machinery	183.7	183.7	173.7	Nil	+5.8
Transport equipment	150.0	150.9	148.0	Nil	+1.2
Manufactures	186.6	186.6	173.3	+0.2	+7.7
Intermediate Products	321.4	232.6	204.2	—0.5	+13.3
Finished products	175.7	174.9	165.8	+0.5	+6.0
Textiles	176.5	176.2	170.8	+0.2	+3.3
Cotton manufactures	172.1	171.3	164.4	+0.4	+4.7
Jute manufactures	188.6	190.0	199.4	—0.7	—5.4
Silk & rayon manufactures	131.2	131.0	131.9	+0.2	—0.5
Woollen manufactures	324.7	324.7	212.6	Nil	+52.7
Coir mats & mattings	201.4	201.4	187.8	Nil	+7.2
Metal products	204.3	204.3	191.0	Nil	+7.0
Non-metallic products	162.3	161.8	157.3	+0.3	+3.2
Chemical products	159.2	159.1	154.2	+0.1	+3.2
Leather products	100.1	100.1	98.0	Nil	+2.1
Rubber products	160.6	159.8	159.3	+0.5	+0.8
Paper products	139.6	139.6	137.3	Nil	+1.7
Oilcakes	303.2	286.4	182.1	+5.9	+66.5
Miscellaneous	124.7	124.6	124.2	+0.1	+0.4
All Commodities	232.1	223.1	193.2	+4.0	+20.1

Source: Ministry of Industrial Development, government of India.

cent to 247.8 due to an increase in the prices of tobacco raw.

Fuel, power, light & lubricants.

The index for this group moved up slightly by 0.2 per cent to 187.8 owing to a rise in the prices of coal. The prices of castor oil, however, drifted lower.

Industrial raw materials

Higher prices of cotton raw, wool raw and silk raw pushed up the sub-group index for 'fibres' by 7.6 per cent to 201.7 The prices of jute raw & mesta, however, declined. The sub-group index for 'oil seeds' registered a sharp rise of 11.9 per cent to 334.7 due to an advance in the prices of all the seeds. The sub-group index for 'minerals' went up by 1.1 per cent to 144.7 due to enhanced prices of mica and china clay. The sub-group index for 'other industrial raw materials rose' by 4.4 per cent to 249.4 due to higher prices of hides raw, skins raw and lac. The prices of tanning materials, however, receded.

Chemicals

The index for 'chemicals' group recorded a rise of 0.4 per cent to 209.2 due to an increase in the prides of copper sulphate.

Machinery & transport equipment

The sub-group index for electrical machinery' stood at 175.6 as against 175.3 for the last month. The sub-group indices for 'non-electrical machinery' and 'transport equipment' remained unchanged at their last months levels of 183.7 and 150.0 respectively.

Intermediate products

The index for 'intermediate products' fell by 0.5 per cent to 231.4 per cent against 232.6 for the earlier month.

Finished products

Enhanced prices of cotton manufactures (+0.4 per cent to 172.1) and silk and rayon manufactures (+0.2 per cent to 131.2) raised the sub-group index for 'textiles' by 0.2 per cent to 176.5. The index for jute manufactures, however, declined (—0.7 per cent to 188.6). The indices for 'woollen manufactures and coir mats and mattings' stood stationery at their last month's levels of 324.7 and 201.4 respectively. The sub-group index for 'metal products' also remained unchanged at its last month's level of 204.3. The sub-group index for 'n metallic products' worked at 162.3 as against 161.8 f previous month. The sub-g index for 'chemical pro moved up slightly by 0. cent to 159.2. The sub-g indices for 'leather pro and 'paper products' we tionary at their last m level of 100.1 and 139.5 re tively. The sub-group i for 'rubber products' ro 0.5 per cent to 160.6 due increase in the prices of rubber products. The sub-g index for oil cakes went u 5.9 per cent to 303.2 The group index for miscellan products stood at 124.7 against 124.6 for the last m On the whole the index 'finished products' moved by 0.5 per cent to 175.7 against 174.9 for the prev month.

Index Numbers of Industrial Production

(Base: 1960=1

Industry	1971	1972 Oct	Nov	Dec
General Index				
Seasonally adjusted	186.1	205.4	204.9	199.4
Crude	186.1	197.9	203.2	210.4
Mining and quarrying	153.4	161.4	166.9	174.0
Manufacturing	178.9	189.9	196.0	203.7
Food manufacturing industries	157.6	177.4	180.8	174.6
Sugar factories and refineries	141.7	148.2	186.8	308.6
Vanaspati	174.8	184.9	163.3	177.3
Tea	133.2	232.6	157.2	58.3
Coffee curing	197.1	73.4	70.4	36.6
Beverage and tobacco industries	182.5	165.2	168.0	184.3
Cigarette manufacturing	177.9	161.9	159.5	180.2
Manufacturing of textiles	105.0	113.0	109.2	119.0
Cotton textiles	105.2	112.3	105.7	NA
Woollen textiles	181.6	NA	NA	NA
Jute manufactures	94.7	84.3	94.5	95.9
Manufacture of paper and paper products	225.7	228.0	233.1	242.0
Manufacture of paper	229.5	226.2	230.4	239.7
Manufacture of leather and fur products except foot-wear and other wearing apparel	55.3	53.1	64.5	39.6
Manufacture of rubber products	241.8	223.6	245.9	255.3
Tyres and tubes	295.4	279.5	298.0	314.0
Chemicals and chemical products	252.7	291.0	287.8	309.1
Basic industrial chemicals including fertilisers	371.2	451.5	474.1	480.3
Heavy organic chemicals	301.2	372.4	378.3	412.8
Heavy inorganic chemicals	354.7	406.8	412.1	433.7
Synthetic fibres	232.3	267.4	253.5	270.3
Dyestuff and dyes	187.1	187.7	207.5	240.3
Synthetic resins and plastics	217.5	464.4	463.6	449.2
Manufacture of fertilizers	841.3	1033.8	1145.0	1225.8
Manufacturing of paints, varnishes and lacquers	119.5	133.1	137.4	151.1

Industry	1971	1972 Oct	Nov	De
Fine pharmaceutical chemicals	157.6	123.2	103.2	14
Fine chemicals	187.4	256.1	252.3	32
Petroleum refinery products	316.9	317.0	309.9	33
Manufacture of non-metallic mineral products except products of petroleum and coal	207.6	236.4	230.9	24
Manufacture of cement (Hydraulic)	190.3	213.2	216.9	22
Basic metal industries	208.6	231.0	221.8	24
Iron and steel basic indust-ries	186.6	210.1	202.6	22
Non-ferrous basic metal industries	329.1	344.1	325.5	36
Copper smelting and rolling mills	105.8	122.5	117.0	11
Aluminium manufacturing	557.9	589.1	545.6	62
Manufacture of metal products except machinery and transport equipment	234.4	244.5	254.0	29
Manufacture of machinery except electrical machinery	373.2	381.2	422.5	43
Manufacture of industrial machinery	86.3	94.4	132.8	13
Machine tools	378.2	444.9	456.2	46
Manufacture of electrical machines	404.8	396.9	522.5	45
Manufacture of batteries	243.6	220.8	240.1	2
Manufacture of transport equipment	122.1	128.7	141.3	15
Manufacture of motor vehicles	168.3	167.2	182.3	20
Motor cycles and bicycles	259.1	296.0	285.0	33
Manufacture of motor cycles and scooters	634.2	727.1	663.6	7
Manufacture of bicycles and tricycles	180.1	204.3	204.4	25
Electricity generated	358.5	391.2	382.4	N

Source: C

Reserve Bank of India

(Rs lakhs.)

	August 3, 1973	A week ago	A month ago	A year ago
ue Department				
tes held in bank-ng department	35,06	36,14	30,53	27,75
tes in circulation	5,577.91	5,578,68	5,728,66	4,722,51
al notes issued	5,612,97	5,614,82	5,759,19	4,750,27
ld coin and bullion	182,53	182,53	182,53	182,53
eign securities	177.37	177,37	177,37	211,65
pee coin	12,70	13,76	7,58	31,78
vernment of India ees securities.	5,240,38	5,241,16	5,391,72	4,324,30
king Department				
posits of central vernment	98,15	57,59	51,01	54,82
posits of State vernments	18,18	11,24	7,49	15,99
posits of banks	600,51	583,24	527,38	272,45
er deposits	204,44	209,68	205,17	206,43
er liabilities	1,051,91	1,070,77	1,047,17	927,06
al liabilities or sets	1,973,20	1,932,53	1,838,22	1.476.75
tes and coins	35,13	36,22	30,60	27,84
ances held abroad	282,52	298,99	271,40	149,27
ns and Advances to:				
ate governments	115,22	190,57	176,00	60,38
heduled commer-cial banks.	5,24	8,49	39,64	2,77
ate-cooperative banks.	223,49	227,06	238,82	217,14
her loans and advances.	166,67	170,30	170,30	103,23
s Purchased and scounted				
ternal	4,40	9,55	17,88	3,97
overnment trea-ry bills.	326,67	280,61	216,29	406,40
vestments	765,43	656,97	601,71	465,73
her assets.	48,44	53,77	75,56	40,03

Scheduled Commercial Banks

(Rs lakhs)

	August 3, 1973	A week ago	A month ago	A year ago
1. Demand deposits	3,927,40	3,915,98	3,907,09	3,293,02
2. Time deposits	5,334,40	5,293,66	5,189,43	4,366,14
3. Aggregate deposits	9,261,80	9,209,64	9,096,52	7,659,17
4. Borrowing from Reserve Bank	5,24	8,49	39,64	2,77
5. Cash	251,23	242,96	288,77	191,78
6. Balance with Reserve Bank	584,47	568,47	508,67	256,64
7. Cash and balance with Reserve Bank	835,70	811,43	797,44	448,42
8. Investments in government securities	2,298,34	2,322,18	2,175,53	1,946,64
9. Advances	5,083,34	5,095,12	5,179,59	4,213,09
10. Inland bills purchased and discounted	906,40	922,28	935,03	8,71,36
11. Foreign bills purchased and discounted	253,80	249,41	250,97	205,38
12. Total bank credit	6,243,54	6,266,81	6,365,59	5,289,83
13. Percentage of:				
(7) to (3)	9.02	8.81	8.77	5.85
(8) to (3)	24.82	25.21	23.92	25.42
(12) to (3)	67.41	68.05	69.98	69.07

Source: Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1972	1973				
	July 28	June 29	July 6	July 13	July 20	July 27
ney Supply with the Public	8,332	9,868	9,915	9,954	9,888	9,794
rency with the public	4,869	5,831	5,828	5,861	5,803	5,723
er deposits with the Reserve Bank	57	42	39	39	50	42
k money	3,406	3,995	4,048	4,054	4,035	4,029
tors Affecting Money Supply (+2+3+4—5—6)						
Net bank credit to government sector	7,081	8,426	8,497	8,553	8,633	8,621
Reserve Bank's net credit to govt. sector	5,068	6,148	6,235	6,256	6,265	6,214
Banks' credit to government sector	2,013	2,278	2,262	2,297	2,368	2,407
Net bank credit to commercial sector	1,952	2,224	2,233	2,297	2,062	2,003
Of which: Banks* net credit to commercial sec-sector (a—b)	1,740	1,934	1,945	1,909	1,774	1,723
(a) Claims on commercial sector	6,304	7,373	7,415	7,421	7,333	7,297
(b) Non-monetary liabilities of banks	4,564	5,439	5,470	5,512	5,559	5,574
Net foreign exchange assets of banking sector	567	587	635	638	651	663
Government's net currency liabilities to the public	414	434	435	432	429	433
Net non-monetary liabilities of the Reserve Bank	1,086	1,141	1,174	1,163	1,195	1,220
Residual	596	662	709	703	692	706

*Excluding Reserve Bank

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972 May	1972 Dec.	1973 Jan.	1973 Feb.	1973 Mar.	1973 Apr.
(Base: 1949=100)													
All-India	169	191	213	212	215	226	233	238	255	255	259	263	269
(Base : 1960=100)													
All-India	—	—	—	174	177	186	192	196	210	210	213	216	221
Ahmedabad	130	148	168	165	169	176	181	185	207	211	215	219	222
Alwaye	145	158	183	198	197	198	202	209	217	211	213	219	226
Asansol	140	145	168	176	178	189	194	200	206	205	202	212	216
Bangalore	144	159	172	180	183	186	194	199	221	223	222	228	234
Bhavnagar	132	152	173	176	178	186	194	201	228	232	238	244	253
Bombay	130	147	162	167	175	182	190	196	204	205	208	212	217
Calcutta	131	148	163	170	172	182	187	190	200	195	197	200	204
Coimbatore	132	144	151	147	154	163	177	183	193	193	194	197	199
Delhi	136	152	172	178	185	199	211	212	224	226	227	231	235
Digboi	138	160	198	185	180	189	188	191	201	198	202	207	209
Gwalior	139	160	191	179	184	191	197	201	217	220	222	230	243
Howrah	137	154	178	181	176	186	191	197	209	205	206	211	212
Hyderabad	140	158	167	173	185	189	195	201	215	215	220	224	229
Jamshedpur	136	158	183	171	170	183	187	191	200	200	206	209	217
Madras	134	144	151	150	160	170	182	193	211	211	211	212	213
Madurai	128	142	146	148	162	183	192	197	219	219	215	209	212
Monghyr	151	187	215	185	188	205	204	207	221	223	228	232	249
Mundakayam	138	152	173	186	191	197	199	202	214	210	209	211	218
Nagpur	138	148	164	166	176	187	192	197	205	204	206	207	210
Saharanpur	141	163	188	176	181	186	196	203	215	220	220	222	222
Sholapur	128	150	165	167	176	185	198	192	229	229	232	240	248

Source: Labour Bureau, Govt. of In

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base : 1960=10

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971 72	1972 April	1972 Nov.	1972 Dec.	1973 Jan.	1973 Feb.	1973 Mar.
All-India	132	146	159	161	167	174	180	185	194	194	195	196	199
Bombay	132	142	153	156	162	168	172	177	184	184	184	186	191
Delhi-New Delhi	131	142	154	162	168	174	180	188	189	189	190	192	193
Calcutta	126	139	152	156	162	170	174	174	182	181	180	180	181
Madras	133	147	154	154	161	175	188	196	207	209	210	211	213
Hyderabad-Secunderabad	133	147	155	159	167	174	180	184	198	200	202	204	206
Bangalore	133	145	156	160	164	172	180	187	195	197	198	201	204
Lucknow	132	146	159	156	161	166	174	177	185	185	186	190	193
Ahmedabad	131	146	160	162	168	171	173	179	190	193	194	198	203
Jaipur	133	150	162	168	176	183	188	196	205	208	208	210	214
Patna	139	160	170	174	180	191	190	193	203	202	199	202	203
Srinagar	134	143	160	167	174	184	191	197	202	202	203	201	203
Trivendrum	131	146	165	168	172	178	184	190	201	203	205	205	206
Cuttack-Bhubaneswar	142	154	164	167	169	176	184	186	201	198	196	196	198
Bhopal	133	144	166	166	172	180	188	192	208	208	208	208	210
Chandigarh	129	143	155	164	171	178	183	191	193	193	193	193	198
Shillong	123	134	155	163	164	166	175	179	186	186	183	185	186

Source: Central Statistical Organiz

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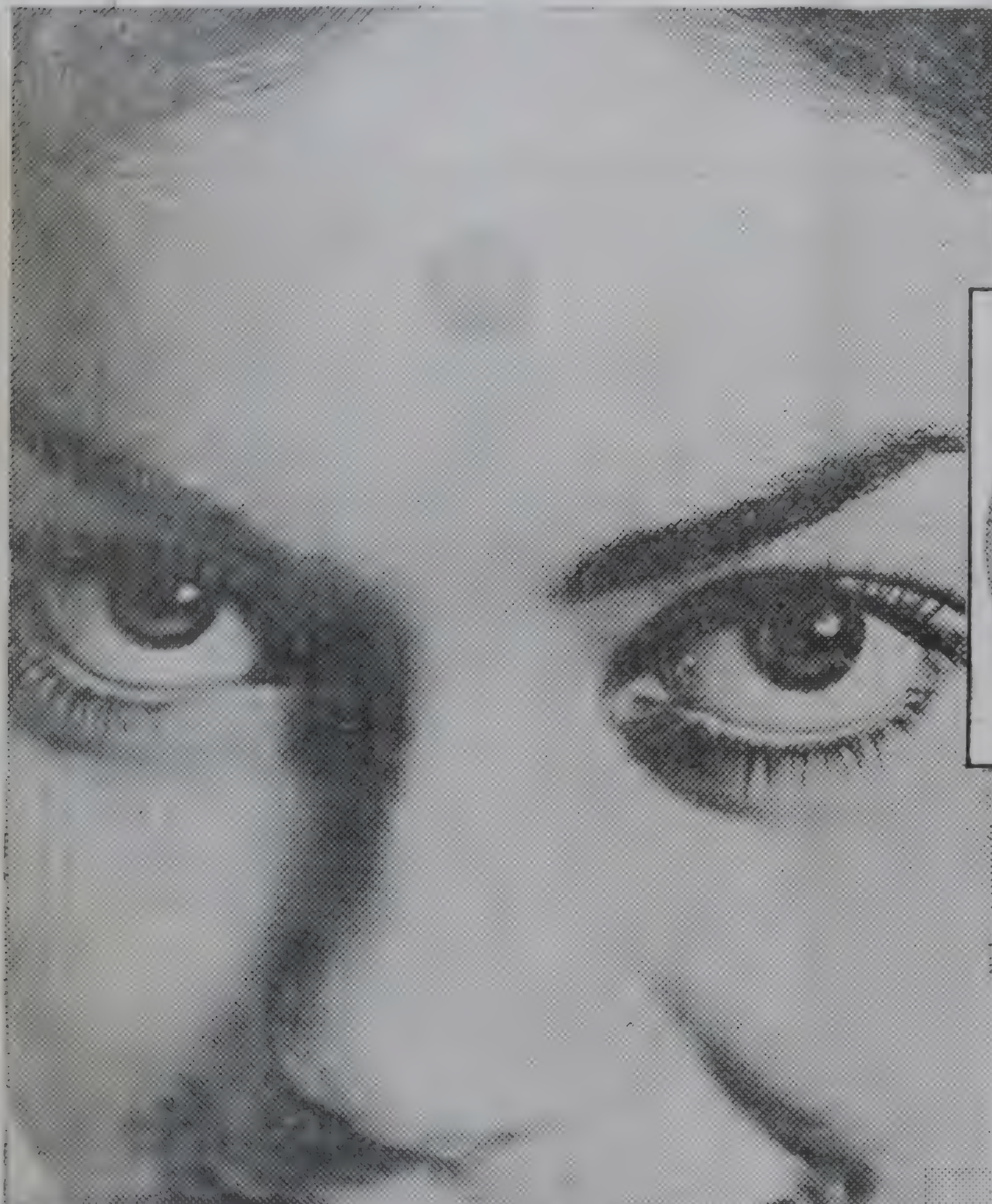

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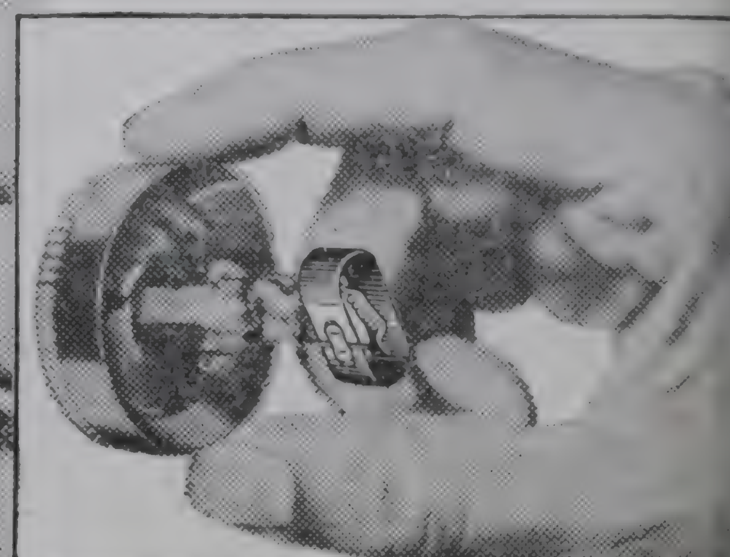

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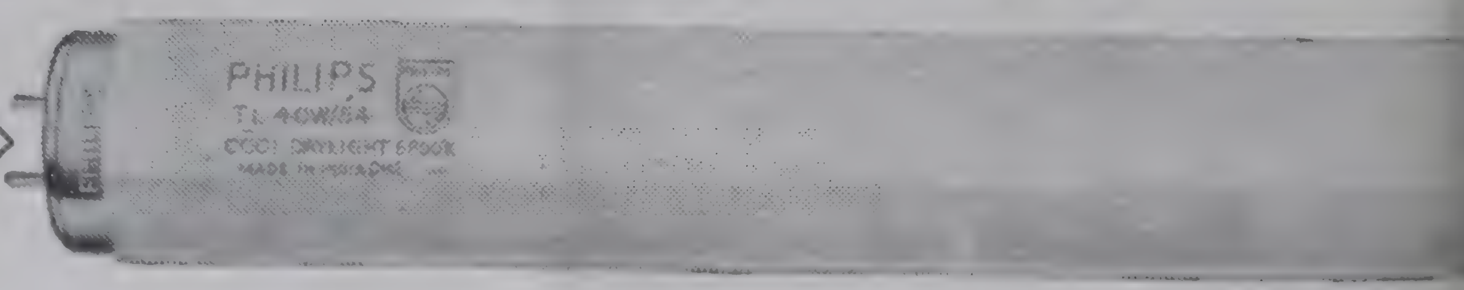

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air winds too

In her more or less famous interview published in the Independence Day number of *Socialist India*, the prime minister complained that the world's financial situation has moved in a particular way that this has adversely affected our economy. It is true that the disturbed e of international monetary relations has had reprecussions—not always favour- —on the economic situations in various countries including our own, but it ld be far less true to say that the way the world's financial situation has been ing has conferred or can confer no benefit at all on the economy of our coun- For instance, thanks to the pressure brought to bear on them to reduce their e surpluses as well as bring down their accumulated external reserves, two of the t active industrial countries in the world, namely, Japan and West Germany, now very keen on stepping up their rates of private investment abroad. In process, they seem to be particularly interested in exploring possibilities of eased exports of capital to the developing countries.

n the case of West Germany, rising wages and shortage of manpower in the e economy have made it attractive for her industries and industrialists to extend manufacturing commitments in countries where labour is plentiful or re- ely less costly. As far as Japan is concerned, in addition to these attractions, e are also other powerful incentives for investing actively abroad. Its require- ts of industrial raw materials having increased enormously, Japan finds it more more necessary to secure access to sources of supply in other countries, par- arly as its prospective growth rates suggest that its dependence on outside rces for raw materials would steadily increase in the future. Thus, in an arti- contributed to the US news magazine, *Newsweek*, Mr Jiro Tokuyama, Managing ector, Nomura Research Institute of Technology and Economics, suggests that mportant new trend on the world economic scene has been the sudden entry apanese business into what he describes as 'the age of multinationalization'.

Between March 1972 and March of this year Japan's total direct investment oad had jumped from less than $4.5 billion to an estimated $7 billion and ac- ling to Mr Tokuyama this investment is expected to hit $30 billion by 1980. He gnizes that the immediate cause for this rapid expansion of overseas invest- t was the improved payments position of Japan, but he also emphasizes certain ba- considerations which have come to dictate to the Japanese economy a policy of inc- ing investment abroad. In his view, the sheer physical fact that there is scarcity land in the crowded confines of this island country would account for the sense urgency with which Japanese industries have begun to look outside of Japan for able factory sites. Until just a few years ago, Mr Tokuyama notes, Japa- : direct investment overseas was characteristically small in scale—usually ounting to no more than half a million dollars per project. Now, however, anese management has started thinking in terms of overseas investment rom $5 million to $10 million per project. Simultaneously, plans for new in- ments include utilization of local raw materials, vertical integration of produc- in host countries and eventual exportation of finished goods to Japan or other ntries using the marketing skills of the parent company.

Now, Mrs Gandhi cannot, in reason, deny that the increased readiness of count- such as Japan or the Federal Republic of Germany to invest capital more actively oad—which is a direct consequence of the recent developments in international nomic relations—is something which, ideally, can benefit the Indian economy. fact that two of the most dynamic industrial communities in the world are n able and willing to export capital and know-how on a large scale to countries ch need to take advantage of this facility should surely be regarded as a veritable n to the Indian economy in which the rates of saving and investment have been ning low for some time now. The prime minister, therefore, ought to be able to that not everything that has happened in international economic relations is neces- ly harmful to our economy and that there have also been developments which are nitely to our advantage.

It follows that it is for the government of India to frame its policies in such a nner that the country may benefit from such favourable developments in inter- ional economic relations. This would mean that, right now, there should a switch in the basic thinking of the government of India on the issue of allow- foreign private capital to supplement our own investible resources and techno- ical capabilities. Since the Federal Rupublic of Germany and Japan have so

eastern ECONOMIST

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far been investing private capital only on a very modest scale in the industries of this country, the scope for India benefiting from the heightened willingness of these countries to increase their private investments abroad is clearly very considerable. Instead of merely bemoaning the fact that certain developments in the international economic situation or relations may have been harmful to the Indian economy, the prime minister should, therefore, apply her mind or ask the government to apply its collective mind to the possibilities of constructively utilizing such other developments in the international economic situation as may be helpful to our country.

Quite possibly, the government is unable to act promptly or effectively in this matter because it is still not clear in its own mind that the country needs foreign private investments on a large scale. It should not of course be surprising if this were so since the climate for foreign capital in this country continues to be fouled by the politicking that has been going on for years over this issue. Even the passage of the Foreign Exchange Regulation Bill through parliament recently provided ample opportunity for tirade after tirade being mounted against the foreign companies operating in our country. A study of the relevant proceedings suggests that there are people who are less concerned with regulating foreign investments in the interests of our country than in alienating foreign capital even if that would be to the disadvantage of our economy. Almost for the first time in the last 25 years or so some of the most dynamic industrial countries of the world are showing a healthy interest in encouraging the investment of their private capital on a large scale in manufacturing industries in developing countries. India particularly has every reason to welcome this trend and avail itself of it. If its government does not do so, it would not be open to its prime minister to label as "foul" every wind that blows through international economic relations.

Power in the fifth Plan

ALTHOUGH IT is well appreciated in the highest echelons of government that power shortages can deal crippling blows to the production of even essential products, yet the Planning Commission has remained content with keeping the target for the availability of power generation capacity in the terminal year of the fifth Plan at 33 million kW and that for the end of fifth Plan period at 36 million kW. Taking into consideration the fact that power does not start flowing immediately after a project is commissioned and that there is a period of at least 12 months for a newly installed capacity to be utilised fully, the former target of 33 million kW would mean that capacity to this extent would have to be established by the end of the fourth year of the next Plan, i.e. by 1977-78. On the face of it, this may appear to be an extremely difficult task. In fact, addressing a seminar on power development organised by the Federation of Indian Chambers of Commerce and Industry here a few days ago, the union minister for Planning, Mr D.P. Dhar, in his analysis of the power situation in the country during the fifth Plan period, referred to the slow progress of building up power stations in the past as one of the main reasons for keeping the above two targets substantially lower than those suggested by the union ministry of Irrigation and Power. This ministry originally desired the 1978-79 target to be fixed at 40 million kW and later on thought that it should not be below 38 million kW.

But the past experience cannot be a correct guide for the future. A significant point to be noted in this connection is that capacity to the extent of 7.625 million kW is currently under construction for the fifth Plan period over and above the schemes likely to be completed during the current year. Another 2.192 million kW capacity has been cleared by all the concerned agencies. The implementation of this capacity, therefore, can also be taken up straight away. An additional capacity to the extent of as much as 9.817 million kW, thus, can surely be established through the implementation of the schemes in the above two categories well within the fifth Plan period as after the clearance of a power project and tying up of equipment supplies, the maximum period required for commissioning the project should not exceed five years. According to the chairman and managing director of Bharat Heavy Electricals Ltd., and Heavy Electricals (India) Ltd—the two public sector organisations producing equipment for electricity projects—this period can even be reduced to four years.

The addition of this capacity will raise the installed power generation capacity in the country to approximately 29.5 million kW if the current expectations of the ministry of Irrigation and Power that the effective generation capacity by the end of this year w[...] go up to 19.68 million kW (af[...] scrapping about 0.4 million kW [...] solete capacity) materialise. The ra[...] ing of capacity to 33 million [...] by the end of 1977-78, therefore, sho[...] not be a difficult task if some m[...] schemes at present awaiting Planni[...] Commission's sanction are cleared [...] peditiously. Such schemes aggregate [...] a capacity of 3.145 million kW.

The data for a more interesting c[...] culation in this regard, however, h[...] been provided by Mr V. Krishnamurt[...] in his address to the annual gene[...] meeting of BHEL and HE(I)L recen[...] Mr Krishnamurthy stated that the t[...] public sector undertakings are confid[...] of making available equipment [...] power generation projects to the exte[...] of 10.5 million kW by the end of 1975-[...] Equipment for another about two m[...] lion kW is programmed to be impor[...] for five projects, namely, Obra therm[...] power station (Uttar Pradesh), Kund[...] hydel project stage IV (Tamil Nad[...] Linganamakki hydel project (Mysor[...] Surullar hydel project (Tamil Nadu) a[...] Silent Valley hydel project (Keral[...] Since all this new capacity can defini[...] ly be commissioned well within the fi[...] Plan period, the installed capacity c[...] easily be raised to as much as 32 milli[...] kW by implementing these programm[...] alone. In fact, another 4.5 million k[...] capacity can be put up if orders f[...] equipment for this capacity, which [...] expected by BHEL and HE(I)L, c[...] be placed expeditiously. Mr Krishn[...] murthy has assured that BHEL a[...] HE(I)L are now in a position to man[...] facture equipment within three yea[...] of the placing of orders and that t[...] annual rate of production of the tw[...] enterprises is expected to go up [...] 1975 to 3|3.5 million kW.

Another important factor wh[...] should make possible accelerated dev[...] lopment on the power front in the futu[...] is the Plan to set up much larger pr[...] jects than has been the case hither[...] Equipment for 200 mW thermal un[...] can now be delivered from indigen[...] sources within three years and some [...] the new power projects indeed will [...] based on this type of equipment.

Both the above facts should make [...] abundantly clear that the raising of t[...] power generation capacity by about th[...] million kW per annum in the next th[...] or four years is not beyond our com[...] petence. Thereafter, the annual additi[...] can even be at the rate of 3.5 mi[...] kW.

The target of having 33 million k[...]

apacity in the terminal year of the fth Plan and 36 million kW at the nd of the fifth Plan cannot be expected o fully meet the power requirements of 978-79 and 1979-80, as is apparently ssumed by the Planning Commission. The demand for power in the past few ears has been growing by as much as 2 per cent per annum when, not to peak of the actual performance of the conomy, the overall rate of growth has een expected at not more than 3.5 per ent. The fifth Plan is being based on .5 per cent annual growth rate. The emand for power during the fifth Plan eriod, therefore, should grow at a much aster rate than has been the case hither-o. On the basis of 12 per cent annual rowth in demand, the generation capa-ity has to be doubled in a period of six ears. A faster growth in demand would bviously call for a much more accele-ated development programme. Th lanning Commission, apparently, has ot to realise that power is one field in hich we have got to plan for marginal urpluses rather than for marginal shor-ages. In contingencies like that of last ear, the damage to the economy due to ower shortages can indeed be very eavy. There can be no denying the fact hat one of the principal reasons for the harp increase in prices in the last eight r nine months has been scarcity of ower. Mr Dhar has promised that if the nplementation of power development rogramme is accelerated, additional unds could well be made available. But hy not provide for this in the Plan it-elf?

Two other developments, however, hould augur for the power programme n the fifth Plan. The first is the decision f the union government to set up an gency to undertake the construction of ower projects on turnkey basis. The stablishment of this organisation should elp in avoiding undue delays in cons-ruction work arising out of the prob-ems of coordination amongst various gencies. The second development is the roposed restructuring of state electri-ity boards which should assist in resol-ing the controversy over whether tech-ical personnel or administrators should ead power projects and electricity oards. If a via media is to be struck, he top jobs should go to really compe-ent persons, irrespective of the fact that hey are technicians or pure managers.

Mr Dhar, of course, rightly stressed he need for concerted efforts at raising he production of coal in the country. There can be no two opinions on the eed for obviating the setting up of power eneration projects in the future on oil, whether imported or indigenous. In view f the sharp rise in the prices of west Asian crude, oil has to be used in future only for very essential purposes. Hydro-electricity too cannot be depended upon for firm loads in view of the vagaries of weather. Till we are in a position to go in for an ambitious programme of nuc-lear power generation, we have to de-pend mostly on generation of power from coal. The Coal Authority of India, therefore, has a herculean task ahead of it. The performance of the coal in-dustry after nationalisation has not been any encouraging as yet. The leeway in production ought to be made up expedi-tiously so that the future expansion pro-grammes of the coal industry can be taken up in right earnest.

It is, indeed, encouraging that the two public sector undertakings manu-facturing power equipment—HE(I)L and BHEL—are now well set on the path of progress. For the first time since its inception, HE(I)L has shown a profit of Rs 5.08 crores in 1972-73, as against a loss of Rs 1.42 crores in the previous year. The profit of the BHEL has grown from Rs 3.19 crores in 1971-72 to 8.2 crores in 1972-73. The accumulative loss of Rs 7.3 crores in the case of BHEL is expected to be wiped out in the current financial year. In the case of HE(I)L, this period, of course, will spread over several years. No doubt the profitability of the two undertakings has improved to some extent as a result of the waiving of interest on loan capital for a period of three years and the treating of the loan investment in townships as equity. But even after allowing for the reduced ex-penditure of the two undertakings on these two counts, the two enterprises are distinctly out of the red. Production-wise also, the performance of both HE(I)L and BHEL in 1972-73 has been quite encouraging. The former produced goods worth Rs 56.8 crores in 1972-73, as against Rs 42.4 crores in the previous year. The total value of production of the three units of BHEL rose from Rs 60.3 crores in 1971-72 to Rs 84.2 crores in 1972-73. With a comfortable order position, the total output of the two un-dertakings is expected to go up to slight-ly over Rs 200 crores this year. As against delivery of equipment for 1.1 million kW generation capacity in 1972-73, in addition to the manufacture of various other equipments such as power transformers, electrics for locomotives, circuit-breakers, switchgears, etc., the two undertakings are anticipated to raise their power equipment manufacturing capacity to two million kW this year and to 3|3.5 million kW by 1975.

Rising prices of petroleum products

THE LATEST decision of the government to increase the retail and ex-refinery prices for naphtha, motor spirit, packed bitumen and lubricants is an indication of how the rising cost of crude imports and the anxiety of the authorities to discourage consumption of specific petroleum pro-ducts is resulting in heavier burden on all classes of consumers. The revision in pri-ces for different categories has been at-tempted for the third time since crude prices started rising from November 1970. There was a disposition for a time to over-look the realities of the situation and the union ministry of Petroleum and Chemi-cals somehow thought that it could resist an upward adjustment in prices for crude imports and also postpone indefinitely the consequential changes in ex-refinery prices for petroleum products. It has now however become clear that the foreign ex-change bill for crude imports will be inc-reasing continuously and if the oil refine-ries, particularly the new units, have to function on a reasonably remunerative basis there will have to be a scientific adjustment of ex-refinery prices for all products.

The government is still unable to make up its mind about what should be the proper approach to the refixation of prices for petroleum products and how the end prices of individual items should be "loaded". Before the recent changes were effected it had been complained by the managements of coast-based refineries that the increase in the cost of crude in ex-refinery prices had been neutralised only on the basis of a total price of dollars 1.88 per barrel and that with posted prices in Iran and elsewhere being over dollars 3 per barrel there was a big gap between dollars 1.88 per barrel and the unadjusted cost of crude which was compelling the refine-ries to incur heavy losses on the sale of petroleum products.

The difference between the latest land-ed price of crude imports and the adjusted base for fixation of ex-refinery prices without taking into account the recent changes in ex-refinery prices for petroleum products was nearly one dollar per barrel. The Shah Committee had recom-mended that there should be an upward adjustment of four per cent on an aver-age in ex-refineries price for an increase of 10 cents per barrel in the cost of crude. On this reasoning the refineries were entitled to a rise of 40 per cent on an average in

these prices which would mean that taking into consideration the cost of motor spirit of 30 paise per litre ex-refinery, the revised price of motor spirit alone would have to be 42 paise per litre. Taking into consideration the earlier increase of three paise per litre and the latest hike of 10 paise per litre in respect of this product it can be said that the refineries are not now losing on the sale of motor spirit. But the question is how the losses incurred in other directions are to be overcome and what will be the policy of the government when making efforts to discourage the consumption of petroleum products.

It must of course be stated that adjustments have already been effected in regard to sales of speciality products and heavy residual products as it has been complained that industrial solvents have become more costly and the feedstock for use by carbon black manufacturers has also become dearer considerably. In the absence of any clear indication of the net effect of all adjustments in selling prices ex-refinery it is difficult to say what will be the compulsion to increase prices for middle distillates, including high speed diesel oil and kerosene. Enquiries in reliable quarters however disclose that an efficient refinery will be obliged to suffer a loss of Rs 20 lakhs annually for every unadjusted price of one cent in the cost of crude where the throughput is 3.75 million tonnes annually and that even with a loading of prices for particular products it will be difficult to avoid an increase in ex-refinery prices of middle distillates. This is because top distillates including motor spirit and naphtha account for about only 15 per cent of total throughput, middle distillates for 50 per cent, bitumen for eight per cent and heavy residual stocks for over 15 per cent. Even in respect of top distillates, motor spirit alone cannot bear the average increase of 40 per cent of prices for all products even if it is contended that the consumers of this product have to be penalised. As naphtha is a basic raw material for the manufacture of urea and various petrochemicals any undue increase in the cost of this petroleum root will have a serious chain reaction resulting in costlier fertilisers and basic petrochemicals used in the manufacture of plastic compounds and synthetic fibres.

There has already been a sharp rise in prices of imported petroleum products and petrochemicals. There is an old worldwide shortage of caprolactum, DMT and other products and the output of nylon yarn, polyster fibre and other petroleum-based items is already being seriously affected in this country. There will necessarily have to be a sharp increase in market values for nylon yarn, polyster fibre, carbon black, butadene, benzene and various other items. If the government is anxious to avoid an undue increase in the cost of end-products to the consumers, the excise duties may be suitably reduced as these are heavy in many cases. It is unlikely however that the government will be prepared to sacrifice any part of its revenues. In that event there will have to be higher selling prices at the retail end on many commodities including automobile tyres and tubes.

The more difficult task however relates to the formulation of a policy which will not impose undue hardship on the consumers of petroleum products and which will at the same time discourage consumption of commodities having a large foreign exchange content. With the prospect of crude oil prices rising further in the coming years (it is freely talked about that the dollar four mark per barrel of crude will be crossed by the end of next year) there will have to be a periodical excalation of prices for all refined products for neutralising the increase in the cost of crude on the basis indicated earlier. The consumers naturally feel that the government is not justified in increasing suitably end prices whenever adjustments at the refinery point are effected as the government is already realising more than Rs 900 crores annually through excise duties representing 35 per cent of all proceeds from central excise duties. It would be wrong to assume that the consumers of particular products can be penalised relentlessly when the taxes are already prohibitive as a breaking point will be reached when trying to soak mercilessly the consumers of motor spirit, vistlom p lene and other items. It will al wrong to penalise transport operators others by raising the end prices for di oil and kerosene when the tax conten already prohibitive. With the car po lation of individual owners and for plying of taxis constituting a small as compared to other countries and inevitability of an increase in consumpt of diesel oil and residual products transport and industrial purposes th will have to be increasing imports of cr and refined products in deficit over years. The government will also be advised in utilising fully the exc capacity of the oil refineries in the priv sector, as it is now doing, by asking to process crude supplied by it on basis of payment of specific charges services. There will also have to be cr tion of additional refining capacity order to avoid a drain of foreign excha on imports of costly refined prod which will be in deficit. The foreign change bill will necessarily rise and w and means will have to be devised meeting the additional expenditure thr gh higher exports.

While a pragmatic policy should adopted for solving many tacklish pr lems and the inevitability of an incre in consumption of petroleum produ will have to be recognised, the grow rate in consumption on this front can slowed down if electricity is used many purposes. A big effort will ha to be made for creating additional hy capacity and increasing also generati of power from coal-based thermal statio

Eastern Economist 30 Years Ago

SEPT. 10, 1943

Rice is by far the largest single crop grown in India and also the most important article of food. Yet even in wartime there has been no control in the rice trade in the sense there is control of wheat or sugar or cloth. The reasons are not far to seek. In the first place, the production and distribution of rice are far too widespread to be amenable to comprehensive control, unlike in sugar where the cultivation of cane and the location of factories are concentrated in two povinces, or in cotton, where despite the diffused production of the raw material the existence of organized manufacture and marketing assists control. But the second and the more important explanation is that the necessity of rice control was not felt or rather not visualized by Government until after the food crisis had deepened a assumed an alarming aspect in December 194

In fact, if we view recent incidents against background of the last decade in regard to Ind rice position, we see that not only is no def policy discernible, but Government have shown lamentable lack of imagination. The total a under rice amounted in the decennium 192 to 1936-37 to an annual average of 76.26 mill acres, with an annual outturn of about 29 mill tons. In the same decade, no consistent tr expansion or contraction in acreage or produ is perceptible. Imports average from about one a half to over two and a half million tons of every year, the bulk of it coming from B

this is done, the use of fuel oils for any industrial purposes can be avoided nd the railways too can reduce considerbly their cocsumption of diesel oil. There no evidence so far of any sense of rgency on the part of the government in tackling these problems scientifically and on a long term basis. Any delay in arriving at correct decisions will result in needless drain of foreign exchange besides causing serious hardship for the affected interests.

Loans will cost less

THE INDO-German agreement on econo-ic assistance signed in the capital on ugust 28 had two significant features. irst, the Federal Republic of Germany greed to untie aid implying that this ountry was given the freedom to buy ommodities and equipment from wherver it liked against credits provided in the urrent year. Second, the terms of the oans were softened to a large extent. hese credits enjoyed a grace period of 0 years, had maturity period of 30 years nd carried an interest of only two per ent per annum. Keeping in view the igh interest rates in the world market—he UK recently raised its basis lending ate to a record 11.5 per cent—this was deed not a mean concession. Thus, the ederal Republic of Germany which njoyed the second rank in bilateral ssistance among this country's donors, ad conceded for the first time our equest for long-term credits on relative- easier terms.

The Federal Republic of Germany had ndicated at the meeting of the Aid-India lub in June this year that our country ould receive from it financial assistance f the order of DM 310 million in 1973-4 as against DM 280 million in the receding year. The agreement mentiond above stipulated that debt relief would e of the order of DM 140 million leavng DM 170 million for use, consisting of) DM 80 million for the import of ommodities and services, (ii) DM 20 illion for imports approved by the ndian Inter-ministerial Committee for apital goods, (iii) DM 50 million for rojects to be mutually selected and (iv) M 20 million for loans to small and edium firms through the Industrial inance Corporation, the Industrial redit and Investment Corporation of ndia and the National Small Industries orporation. The agreement also proided for an outright grant of DM 22 illion in order to reduce the burden of terest charges on loans contracted by is country in the past. In a way this as to provide relief to this country for aving secured credits in earlier years om the Federal Republic of Germany n rather harsh terms.

'This freedom to buy commodities, equipment and services from wherever we like against foreign loans is, no doubt, a liberal concession which we have repeatedly sought with varying success from all donor countries. It is possible that we would find the Federal Republic of Germany still competitive in regard to the import of a wide range of equipment and industrial raw materials despite the fact that recent upward valuations of the mark have raised the prices of German goods. The decision in this regard will be entirely ours. This country is already negotiating with West German firms for the establishment of a number of industrial projects such as plants for the manufacture of caustic soda, foundry forge and fertilizers. It is highly likely that a substantial portion of these credits would be used in making purchases from the West German market.

The loans contracted on government to government basis in the past have now started causing a severe strain on our balance of payments position because of repayments of debts and interest payments. The volume of annual aid received from such countries as the USA and the USSR is now less than the total repayments due to them for past debts and interest payments. In the case of West Germany, the incidence of repayments for the current financial year is estimated to be around DM 285 million as against the fresh credits, as stated above, at DM 310 million. The net inflow of assistance from West Germany thus would be no more than DM 25 million. In view of the rising world prices and the revision in the exchange parities of the mark, these funds would certainly by less in physical quantity and the assistance given by West Germany would not make much addition to our development effort. This, however, is in keeping with the official policy of approaching zero-aid at the end of the fifth five-year Plan period, though the wisdom of this objective is questionable.

Besides government to government assistance, this country has received private investment also though here the rank of West Germany is not very high. The United Kingdom holds, for private foreign investment, the first position (40 per cent) followed by the USA (27 per cent) while the Federal Republic of Germany (7 per cent) holds the third rank and Japan (5 per cent) the fourth rank. Also, in regard to collaborations between Indian and West German companies, the Federal Republic of Germany has the third rank after the UK and the USA. Out of about 600 such collaborations, nearly 300 are fully operative. It is for our country to create conditions whereby the inflow of private German capital may be increased. The Federal Republic of Germany is the most prosperous country on the continent and its comfortable balance of payments position during the last 17 to 18 years has given it immense capabilities to invest in foreign countries.

For a long time the trade gap between our country and West Germany has been unfavourable to us. During the first five-year Plan period, our exports to the Federal Republic of Germany at Rs 62.6 crores were short of imports from that country by Rs 122.2 crores. During the second five-year Plan period, this adverse gap multiplied almost four times to Rs 474.0 crores. Again, during the third five-year Plan period, the adverse gap was as high as Rs 457.6 crores. During the plan holiday years and the fourth five-year Plan periad also, the gap had remained wide and unfavourable to us. In the nine-month period ending in December 1972, the adverse trade was Rs. 71.19 crores as against Rs 66.27 crores in the corresponding period in 1971.

Early this year, there was a satisfactory development in the sense that our exports to West Germany started picking up. Whereas in the quarter, January to March 1972, our exports to West Germany were DM 66.44 million, they increased by 30 per cent to DM 86.60 million in the first quarter of the current year. On the imports front also a fovourable trend was noticed. As against imports from West Germany of the order of DM 182.07 million in January-March 1972, the corresponding imports during the first quarter of the current year were much lower at DM 142.32 million. In this way, the imbalance in trade which was as high as DM 115.63 million in the first quarter last year came down by more than half to DM 55.72 million in the first quarter of the current year. Surely imports from this country have become more competitive because of the change in the exchange rates and our country seems to be taking advantage of this trend. However, continued efforts will have to be made to reduce further the trade deficit with West Germany. The trend which has been witnessed in the first quarter of the current year will have to be made to persist in the remainder of the year if its results are to be meaningful. It is through increased production and exports of non-traditional goods such as power transmission lines, railway wagons and coaches, steel structurals, textiles and auto ancillaries that the cherished objective can be attained.

POINTS OF VIEW

Taxing closely held companies

K. Ramananda Hegde

A CLOSELY-held company is a company in which the public are not substantially interested. The tax burden on closely-held corporations in India is very high as compared to other companies (or widely held corporations) because of the discrimination made against such companies as regards the rates of taxation and the imposition of an additional income tax on their undistributed profits. In this article, an attempt is made to estimate and analyse the incidence of tax on such closely-held companies and a case is made out for the reduction of tax burden on such companies.

Section 2 (18) of the Income Tax Act, 1961, defines a company in which the public are interested. Any company which is not a company in which the public are substantially interested as per this section, is to be treated as a closely-held company. Section 2 (18) defines 'a company in which public are substantially interested' as follows.

1. A company owned by the government or the Reserve Bank of India or in which not less than 40 per cent of the shares are held (whether singly or taken together) by the government or the Reserve Bank of India or a corporation owned by that bank.

2. A company which is registered under Sec. 25 of the Companies Act, 1956.

3. A company having no share or capital and if, having regard to its membership and other relevant considerations, it is declared by the board to be a company in which the public are substantially interested for such assessment year or years as may be specified in the declaration.

4. A company which is not a private company as defined in the Companies Act and which fulfills either of the following conditions:

a. Shares in the company (not being shares entitled to a fixed rate of interest) were as on the last day of the relevant previous year, listed in the recognised stock exchange in India.

b. Shares in the company (not being shares entitled to a fixed rate of dividend) carrying not less than 50 per cent of voting power have been allotted unconditionally to or acquired unconditionally by and were held throughout the relevant previous year by the government, a corporation established by a central, state or provincial act or any company in which public are substantially interested or by the public and the said shares are freely transferable and the shares carrying more than 50 per cent of its total voting power are controlled or held by five or less persons.

The Income Tax Act adopts a policy of discrimination against closely-held companies which has resulted in the higher tax burden on such companies. Thus closely held companies are subjected to:

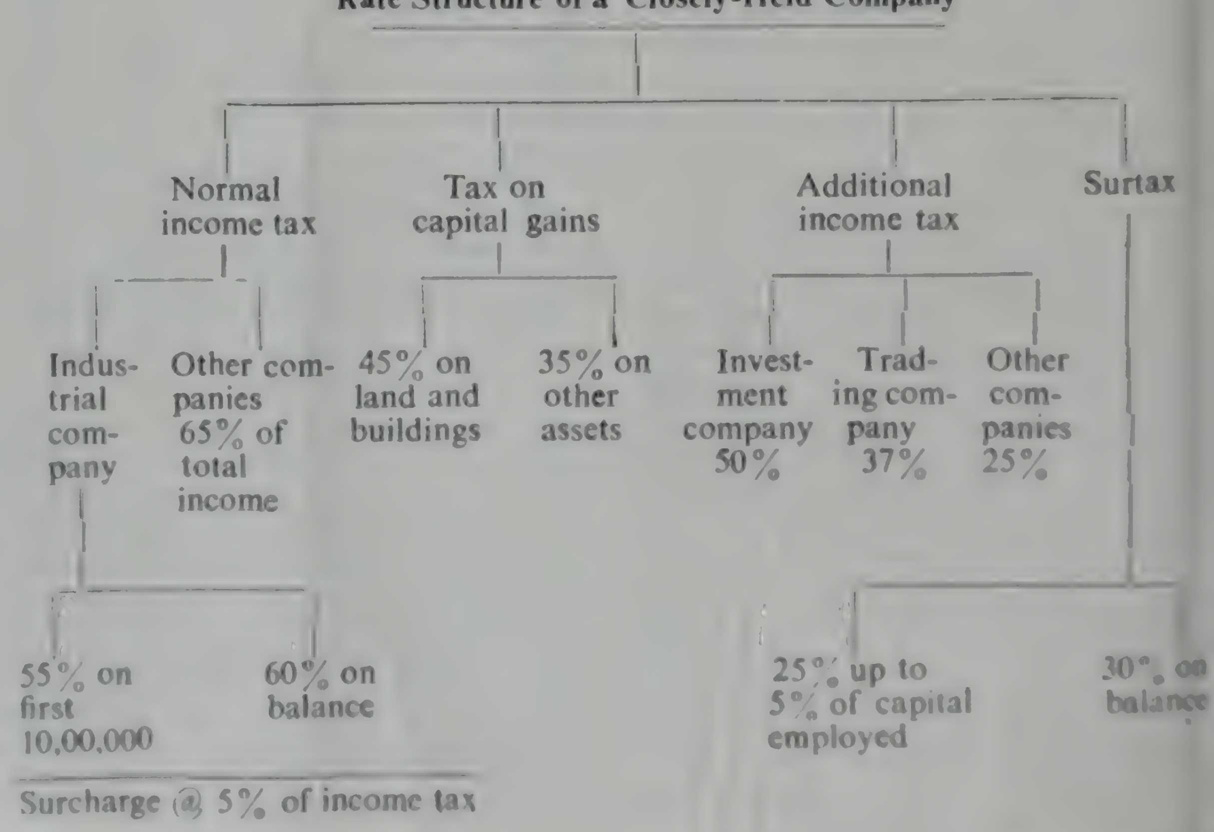
(i) higher rates of income tax as compared to other companies; and

(ii) imposition of an additional income tax on the undistributed profits of such corporations if they fail to distribute the statutory percentage of the distributable income.

The rates of income tax differ depending upon whether a company is one which the public are substantially intere ed or not. The widely-held compan (or the companies in which public substantially interested) are liable for latively lower rates of taxation. The ra vary between 45 per cent and 55 per c of the total income depending upon w ther the total income exceeds Rs 50,(or not. The rates of income tax for cl ly held companies vary depending whet it is an industrial company or not. case of an industrial company the rat 55 per cent on the first 10,00,000 and per cent on the balance. For other co panies a higher rate of 65 per cen charged. In all the cases the income payable by the company has to be increa by a surcharge of five per cent of inco tax. The diagram below gives a cl picture of the rate structures of a close held company showing the rates of inco tax, capital gains tax, additional inco tax and surtax.

The Finance minister in his recent b get (1973-74) has made a proposal wh has the effect of further intensifying

Rate Structure of a Closely-Held Company



discrimination against closely-held companies. For widely-held companies, some concession has been given, as the amount on which a concessional rate of 45 per cent applies has been increased from Rs 50,000 to Rs 1,00,000. On the other hand, closely-held companies have been made to bear a further tax burden as the limit of Rs 10,00,000 (for which a lesser rate of 55 per cent is charged) is reduced to Rs 2,00,000. This means that an addition of Rs 8,00,000 attracts a higher rate of 60 per cent. However the view has been supported by the fact that such a measure would lead to the conversion of closely-held companies into widely-held companies and thus widen the ownership of the industry.

penal tax

The closely-held companies have to distribute profits in accordance with the provisions of the Income Tax Act, the failure on the part of such companies to distribute the minimum statutory percentage of profits attracts a penal tax under Sec. 104. It is to be noted that the tax is peculiar to closely-held companies only and this applies only when the company has not distributed the minimum dividend.

The additional income tax on undistributed profits of closely-held corporations has been justified on the following grounds:

1. Such a tax would reduce the possible chances of evasion of taxes on personal incomes through closely held companies. The whole affairs of the company may be manipulated in such a way that a higher rate of profit is ploughed back every year and a lesser percentage of profit is distributed in the form of dividends, thus reducing the personal tax liability. In view of the progressive taxation of personal incomes, an undistributed profits tax has an important role to play to check evasion of such taxes.

2. Very high rates of ploughing back of profits are not conducive to the interests of the economy and may encourage monopoly and concentration of economic power in the hands of a few. A tax on ploughing back of profits would cut at the root of such concentration of economic power.

3. The tax would equalise the incidence of tax on distributed and undistributed earnings.

4. Lastly, it would result on the proper allocation of investment resources. As A. S. Dewing says, "Corporate savings would encourage the ever-growing expansion of factory equipment, thus leading to booms and depressions."

Tax Incidence: Let us now work out a problem to show the comparative tax incidence of a closely-held and a widely-held company. We can see that the tax incidence on a closely held company is much higher than a company in which the public are substantially interested.

From the above, it is clear that the tax burden on closely-held companies is excessive. The percentage of tax to total income is much higher in the case of a closely-held than a widely-held company. Table II shows the incidence of tax on these companies at various levels of productivity, with the increase in the percentage of rate of return. The tax incidence also increases and at 100 per cent rate of return on net worth 70 per cent of the income has to be paid in the form of tax.

The tax incidence on a widely-held com pany is comparatively less.

TABLE II

Percentages

Rate of Return (After depreciation but before tax) on net worth	Approximate tax incidence	
	Closely-held company	Widely-held com pany
30	61.28	59.08
40	64.44	62.00
50	66.35	63.75
60	67.50	65.00
100	70.20	67.20

Source: Reserve Bank of India Bulleti

The effect of the tax incidence (as pe Table II) on the return accruing to

TABLE I

The Amount of Tax Payable by a Closely-held and a Widely-held Company on a Total Income of Rs 20,00,000.

Widely-held company		Closely-held company (other than an industrial company)		
Total income:	20,00,000			20,00,00
Income Tax @ 55%	11,00,000	Income Tax @ 65%		13,00,00
Surcharge @ 5% of income tax	55,000	Surcharge @ 5%		65,00
	11,55,000			13,65,00
Additional Income Tax	Nil	Calculation for Additional Income Tax:	Rs. 20,00,000 — 13,65,000	
		Distributable Income	6,35,000	
		Dividends	4,00,000	
		(being less than 90% of distributable income, liable for additional income tax on	2,35,000	
		@ 50% (Additional Income Tax)		1,17,500
	11,55,000			14,82,500
Tax as a % of income	57.75%	Tax as a % of income		74.13%

ompany on its net worth has been given in Table III.

The above incidence of tax should be viewed in the context of companies which need funds after meeting the normal expectation of return on the risk capital. Companies need more and more capital for expansion and diversification of the industry, for replacing their fast depreciating and deteriorating capital equipment in order to maintain the existing level of productivity. Companies would therefore be required to plough back greater amounts of their profits. But is it possible for a company to embark on a scheme of rationalisation or modernisation at the existing level of taxation? Table III makes it clear that of 30 per cent return on net worth, after paying 10 per cent as dividend, a closely-held company will not be in a position to plough back more than 1.62 per cent of its profits, while a widely held company can plough back a greater percentage (2.28 per cent) of its profits.

The tax burden on closely-held corporation is very high; this has affected the capacity of such corporations to plough back profits. This calls for reduction of tax rates on these companies.

It is misleading to assume that a closely-held company is always formed by well-to-do people only; people with limited means do resort to this form of organisation because of the special benefits conferred upon such organisations. Limited partnership in India is not allowed. The high tax incidence on closely-held companies has been a retarding factor for the development of small companies by people with limited means.

The additional income tax on undistributed profits of closely-held corporations has been justified on the ground that it will reduce the evasion of taxes on personal income. But it must be stated that in the present integrated structure of taxation, it becomes difficult even to postpone the tax liability of individuals, while the total avoidance is clearly impossible. "Total avoidance is in any case impossible because of the provision that any kind of distribution of assets under any name including on liquidation are brought into the tax net. Thus, when profits of a company are not distributed the value of the shares increases correspondingly and with it the net wealth of the shareholders on which wealth tax is levied. If the shares are transferred without consideration, the gift tax is attracted. If they are transferred with consideration, capital gains tax becomes payable. On death, value is calculated for estate duty... The gains from the enforcement of a very intricate and complicated system of deterrents over a large area merely for the purpose of covering a comparatively small area will considerably outweigh the possible risk of some postponement of the tax liability.*

The Boothlingam committee has also suggested that no distinction should be made for the purpose of rates of taxation between closely-held and widely-held companies. "It would be highly desirabie to do away with this distinction altogether for any kind of purpose for the simple reason that it not only creates innumerable and ticklish problems for the adm nistration but also leads to prolong periods of uncertainity in the case of man companies".† It is very difficult to dete mine whether a particular company closely held or not. The shareholders the company undergo changes and und the present involved definitions, the t authorities have to determine each ye whether a company is closely-held or n

The Wanchoo committee has also a rived at the same conclusion. It recom mended that a uniform rate of 55 p cent should apply to all domestic com panies without any distinction based the nature of control or activity or s of total income. The committee h opted for the abolition of penal tax unc Sec 104, first, because in its view the pr visions do not seem to have achiev their purpose and secondly, its reco mendation of certain concesssions wou encourage the companies to distrib reasonable dividends.

It is high time that the governm considered the reduction of tax rates companies. The differential treatment closely-held companies under the tax la should be completely avoided; the ra of income tax should be abolish Though these measures will lead to a c siderable fall in revenue to the natio exchequer in the short run, they will po tively contribute to the growth of the c porate sector and will be able to mus increased resources for the country a for its developmental plans in the futur

*S. Boothlingam: *Final Report on Ratio sation and Simplification of Tax Structure*, p. 3

†Ibid, p. 18

TABLE III

Percentages

Rate of Return	Closely-held company: Portion absorbed in tax	Closely-held company: Balance available	Widely-held company: Portion absorbed in tax	Widely-held company: Balance available
30	18.38	11.62	17.72	12.28
40	25.78	14.22	24.80	15.20
50	33.18	16.82	31.88	18.12
60	40.50	19.50	39.06	21.00
100	70.20	29.80	67.20	32.80

Source : Reserve Bank of India Bulletin.

Agricultural development of Uttar Pradesh

A.C. Gangwar and
Parmatma Singh

N TERMS of area, Uttar Pradesh is the ourth largest state in India, while in terms f population it ranks first. Since 1951, fforts have been made for its planned evelopment, still the entire state is conomically backward. Even within the tate the different regions have highly ariable economic levels. Agriculture is he predominant sector of the state's conomy. This sector employs 76 per ent of the total working force. The ountribution of this sector to the total et outout is about 70 per cent. Thus the levelopment of the state relies mostly on he development of its agriculture. In his article an attempt has been made to xamine the inter-regional situation in erms of area and production of different rops. This is done to determine whether he reason for the overall poor perfor-nance of agriculture is the slow pace of gricultural development in some regions nly which pulls down the state figure or ll the regions are equally responsible for he poor performance.

The specific objectives are:

i) to work out the trend of agricultural development in respect of net area sown, area sown more than once, total cropped area and net irrigated area for different regions of Uttar Pradesh, separately.

ii) to work out regionwise trend in respect of acreage, and production of the important crops.

nethodology adopted

The analysis of this study is based on econdary data. The data regarding net area sown, area sown more than once, total cropped area, net irrigated area, acreage and production of the important crops for different regions and of the state were collected from the Bulletins of Agri-cultural Statistics for Uttar Pradesh. The study period relates to from 1961-62 to 1969-70. Since the area and production of the crops fluctuate considerably from year to year, the three years averages were taken to visualize the development of agri-culture. Thus, the average of 1961-62, 1962-63 and 1963-64 was considered as base; next to it, the average for 1964-65, 1965-66 and 1966-67 was considered as inception period of new technology and lastly the average of 1967-68, 1968-69 and 1969-70 was worked out to study the over-all development of agriculture in the state. These periods were indicated by p_0, p_1 and p_2 respectively. To study the regional variations, administrative divisions were adopted. Every division was considered as a separate region. The regions covered were Meerut, Agra, Rohilkhand, Allaha-bad, Jhansi, Varanasi, Gorakhpur, Luck-now and Faizabad divisions of the state. Thus, hilly regions of the state were left out due to non-availability of continuous time series data. The index number analysis was used as an analytical tool to trace the trends of agricultural develop-ment in different regions of the state.

limited scope

The increase in cropped area can be brought about either by putting additional land under cultivation or by growing more crops from the same area. The former has limited scope and the latter consider-able scope. The increase in area sown more than once in a year will also increase cropped area. The increase in cropped area is one of the good indicators of development of agriculture. The changes in the pattern of land use in the various divisions of the state in the last decade have been presented in Table I.

In respect to net area sown, Table I reveals that from p_0 to p_1 the area sown increased in only Lucknow division, being constant in Rohilkhand, Jhansi, and Faizabad divisions and declined in Meerut, Agra, Allahabad, Varanasi, and Gorakhpur divisions. There was no change in the state figures. In p_2 period over p_1 the state figure increased from 100 to 101, similarly in Agra, Rohikhand, Jhansi and Gorakhpur divisions there was increase in net area sown. This was the highest for Jhansi division. In the divi-sions of Meerut, Allahabad, Varanasi, Lucknow and Faizabad the figures were constant.

As regards change in area sown more than once in period p_1 over p_0 there was no change in state figures. In Meerut, Agra and Rohilkhand divisions there was increase in area sown more than once, being maximum for Agra. The situation remained stagnant for Allahabad division. As against this remaining divisions regis-tered a decline, the maximum being for Jhansi division. In periods p_2 and p_1 the indices of the state average increased from 100 to 107. The figures for Meerut, Agra, Rohilkhand, Allahabad and Jhansi, divisions moved upward. This was most remarkable for Agra and Rohilkhand divi-sions. The situtation for Lucknow divi-sion remained constant while the divisions of Varanasi, Gorakhpur and Faizabad registered a decline in area sown more than once.

total cropped area

Total cropped area is the resultant of area net sown and sown more than once. A perusal of Table I revealed that total cropped area in p_1 period over p_0 was unchanged for the state as a whole as wel as for Allahabad, Jhansi Gorakhpur, Luck-now and Faizabad divisions. Varanas division registered a decline while remain-ing divisions showed an increase. The picture in p_2 over p_0 unlike p_1 over p was quite distinct. There was a sligh increase in the state figure but there wa considerable increase in Meerut, Agra Rohilkhand and Jhansi divisions. I Varanasi, Gorakhpur and Faizabad divi-sions there was a decline in trend and fo Allahabad and Lucknow divisions, it wa nearly unchanged although there wa some increase in the case of Allahabac It showed that Meerut, Agra, Rohilkhan and Jhansi divisions gained while Varanas Faizabad and Gorakhpur lost ground The situation for other divisions wa alarming and needed be to remedied.

Irrigation is the *sine qua non* for agricu-tural development. This is more impo-tant in the context of high-yielding varieti of grains. To a large extent, the increa in irrigated area increases total agriculrur output. Table I reveals that the increase irrigated area in period p_1 over p_0 w higher than the state figures in the case Rohilkhand, Agra and Lucknow division It was the most prominent in the case

Rohilkand, i.e. 57 per cent more. For Allahabad, the increase in irrigated area was in exact proportion to the state average. In the case of the remaining division, it was less than that of the state average. It was the lowest for Varanasi, Gorakhpur and Faizabad divisions. A similar trend was observed in p_2 over p_1 with the exception of Allahabad and Jhansi divisions which showed declining trends in respect of increase in irrigated area.

In over-all terms, Table I revealed that the development in area was more than that of the state for Agra and Rohilkhand divisions and to some extent for Meerut division while the other divisions moved with the state or below the state figures. The divisions which were at the bottom were Varanasi, Gorakhpur and Faizabad—the eastern-most divisions of the state.

To review the impact of development plans on agricultural development, the trends in area and production of important crops were examined. The state ranks first in the production of wheat, barley, gram, maize, tur and other pulses, sugarcane, rape, mustard, sesamum, linseed and potato, third in the production of bajra and smaller millets, fourth in the output of ragi and sixth in the production of rice and jowar. Its corresponding shares in the country's production of the above crops (average of 1968-69 to 1970-71) were 32.2, 50.7, 32.6, 22.9, 37.7, 20.9, 43.0, 69.3, 23.0, 39.2, 34.2, 12.8, 19.0, 8.8, 8.3, and 4.9 per cent, respectively. The state as a whole produced 17.6 per cent of the country's foodgrains and thus ranked first among the states*. As mentioned earlier, this position of the state is not on account of improved and well-developed agriculture but due to its physical dimensions. It is a well-known fact that this state has a potential to be one of the advanced agricultural states if a balanced approach in its development is adopted.

The trends in area and production of the major crops such as rice, maize, bajra, wheat, gram, oilseeds and sugarca[ne] division-wise, have been presented [in] Table II.

rice

The area under rice in the state [de]creased by one per cent from p_0 to p_1, Meerut, Gorakhour, Faizabad, Agra [and] Varanasi divisions recorded increase[s of] 16, 4, 3, 2 and 2 per cent, respectiv[ely] while there were declining trends [in] Jhansi, Allahabad, Lucknow and Ro[hil]khand divisions. The correspond[ing] production declined by 22 per cent for [the] state. Meerut division only observed [an] increase of 13 per cent. The declin[e in] production was more pronounced [in] the case of Jhansi, Varanasi, Allaha[bad] and Faizabad; it fell by 53, 35, 32 an[d] per cent respectively. In other divis[ions] too, there was a declining trend bu[t it] was less than for the state as a wh[ole]. If figures of p_0 and p_2 were exami[ned] the area of the state remained constan[t]

*Commerce : Vol 125, No. 3218; p. 197; 1972

TABLE I

Inter-Regional Comparison of Area Development from 1961-62 to 1969-70

(Indices)

Division/Year	Meerut	Agra	Rohil-khand	Allahabad	Jhansi	Varanasi	Gorakh-pur	Lucknow	Faizabad	Stat[e]
Net Area Sown										
p_0	100	100	100	100	100	100	100	100	100	[illegible]
p_1	99	99	100	99	100	99	99	101	100	[illegible]
p_2	99	100	101	99	104	99	100	101	100	[illegible]
Area Sown More Than Once										
P_0	100	100	100	100	100	100	100	100	100	[illegible]
p_1	104	107	104	100	92	97	99	96	97	[illegible]
p_2	117	133	128	104	100	94	97	96	94	[illegible]
Total Cropped Area										
p_0	100	100	100	100	100	100	100	100	100	[illegible]
p_1	101	102	101	100	100	99	100	100	100	[illegible]
p_2	104	107	106	101	104	98	99	100	99	[illegible]
Net Irrigated Area										
p_0	100	100	100	100	100	100	100	100	100	[illegible]
p_1	109	118	157	114	112	102	103	131	104	[illegible]
p_2	116	123	173	111	110	102	106	142	111	[illegible]

p_0—Indicates average of 1961-62, 62-63 and 63-64. This has been treated as base period.
p_1—Indicates average of 1964-65, 65-66, 66-67. This has been treated as inception period of new technology of agricul[tural] production.
p_2—Indicates average of 1967-68, 68-69, and 69-70. This has been treated as response period.

TABLE II

Inter-regional Comparison of Area and Production Changes from 1961-62 to 1969-70

(Indices)

...ision/Year	Meerut	Agra	Rohil-khand	Allahabad	Jhansi	Varanasi	Gorakh-pur	Lucknow	Faizabad	State
Rice										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	116	102	99	97	85	102	104	97	103	101
	(113)	(79)	(80)	(68)	(47)	(65)	(90)	(81)	(71)	(78)
	113	111	108	96	83	95	104	90	99	100
	(138)	(93)	(112)	(84)	(71)	(71)	(93)	(99)	(94)	(94)
Maize										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	104	123	120	121	120	108	89	115	101	109
	(101)	(165)	(120)	(122)	(157	(156)	(112)	(152)	(100)	(125)
	136	162	149	143	136	142	108	152	111	133
	(159)	(165)	(133)	(121)	(214)	(185)	(149)	(173)	(114)	145)
Bajra										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	97	101	98	106	124	105	86	102	100	102
	(124)	(130)	(136)	(109)	(100)	(80)	(67)	(188)	(59)	(117)
	87	104	100	115	136	106	86	102	101	104
	(86)	(121)	(124)	(141)	(100)	(82)	(67)	(187)	(83)	(118)
Wheat										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	105	109	99	106	95	103	114	101	102	103
	(115)	(140)	(130)	(134)	(90)	(102)	129)	(124)	(120)	(121)
	113	151	123	133	110	127	143	118	113	127
	(187)	(221)	(194)	(174)	(132)	(197)	(205)	(163)	(157)	(181)
Gram										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	101	105	101	101	99	94	96	96	96	99
	(92)	(110)	(115)	(90)	(90)	(91)	(88)	(126)	(93)	(99)
	63	79	82	89	105	84	79	84	83	88
	(74)	(109)	(114)	(100)	(117)	(109)	(111)	(143)	(115)	(111)
Oilseeds										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	115	111	151	97	93	89	107	130	124	117
	(114)	(118)	(147)	(121)	(82)	(100)	(160)	(134)	(158)	(130)
	137	94	154	95	76	79	109	140	123	116
	(128)	(85)	(132)	(94)	(70)	(83)	(160)	(117)	(158)	(114)
Sugarcane										
	100	100	100	100	100	100	100	100	100	100
	(100)	(100)	(100)	(100)	(100)	100)	(100)	(100)	(100)	(100)
	103	101	107	98	128	107	104	109	104	105
	(107)	(113)	(104)	(85)	(146)	(101)	(113)	(107)	(113)	(107)
	97	68	91	78	78	100	99	83	96	93
	(113)	(75)	(98)	(75)	(83)	(128)	(111)	(91)	(116)	(105)

NOTE:—The figures in parentheses indicate indices of production.

—Indicates average of 1961-62, 62-63, 63-64, this has been treated as base period.

—Indicates average of 1964-65, 65-66, 66-67. This has been treated as inception period of new technology of agricultural production.

—Indicates average of 1967-68, 68-69, 69-70. This has been treated as response period.

relation to the base period. In Meerut, Agra, Rohilkhand and Gorakhpur divisions, there were increases in area by 33, 11, 8 and 4 per cent respectively, but the increase in production was observed only in Meerut and Rohilkhand divisions by 38 and 12 per cent, respectively. In the case of Agra and Rohilkhand divisions, the production remained below the base period. While in all the remaining divisions both area and production remained below the base level. This is a highly unsatisfactory picture in respect of rice which is one of the principal food crop of the state. Concentrated efforts should be made to increase its production, specially in Varanasi, Gorakhpur, Lucknow and Faizabad divisions. This shows that the impact of green revolution has not been felt in rice production in this state.

maize

As maintioned earlier, the state ranked first in the production of maize. The area under maize increased by nine per cent from p_0 to p_1. The increase in area was more than that of the state as a whole in Agra, Allahabad, Rohilkhand, Jhansi and Lucknow divisions. This was 23, 21, 20, 20 and 15 per cent respectively. It was less than that of the state in Meerut, Varanasi and Faizabad divisions. In the case of Gorakhpur division it declines by 11 per cent. The increase in area from p_0 to p_2 for the state was 33 per cent. It was the highest as compared to any other crop. During the same period the increase in area of the order of 62, 52, 49, 43, 42, 36, and 36 per cent in Agra, Lucknow Rohikhand, Allahabad, Varanasi, Jhansi and Meerut divisions respectively. However, the increases was less for Gorakhpur and Faizabad divisions than for the state as a whole.

The production of the state increased by 25 per cent from p_0 to p_1. This increase was more prominent than the increase in the area. Production increased at a higher rate in Agra, Jhansi, Varanasi and Lucknow divisions *vize* 65, 57, 56, 52 per cent respectively. It increased at reduced rates in the case of Allahabad, Rohilkhand and Gorakhpur divisions and remained stagnant in the case of Meerut and Faizabad divisions. From p_0 to p_2 the state production increased by 45 per cent. The highest increase was in Jhansi division i.e. 114 per cent. In Varanasi, Lucknow, Agra, Meerut and Gorakhpur divisions it was 85, 73, 65, 59, 49 per cent, respectively. In the remaining divisions there was an increase in production but it was less than the state average. In the case of Agra division, the area increased by 62 per cent from p_0 to p_2 which was the highest in the state but production increased by 65 per cent only. It remained stagnant from p_1 to p_2 even though the increase in the area in corresponding period was nearly 39 per cent.

bajra

In the case of bajra the area of the state increased from 100 to 102 from p_0 to p_1. The Jhansi, Allahabad and Varanasi divisions were at a higher level than the state for increase in area. It was the highest for Jhansi division. The remaining divisions moved either at the same rate as state or below it. The decline in area was the maximum for Gorakhpur, followed by Meerut and Rohilkhand divisions. A similar trend was registered from p_1 to p_2. The decline in area from p_1 to p_2 was maximum for Meerut division.

Production increased from p_0 to p_1 by 17 per cent for the state as a whole. The increase was the highest for Lucknow division followed by Rohilkhand, Agra and Meerut divisions. The respective figures were 88, 36, 30 and 24 per cent. It was interesting to note that for these divisions, area increase was either in proportion to the state average or below it, while production increase was much higher than the state average, specially for Lucknow division. The remaining divisions were below the state average. The maximum decline in production was observed in the divisions of Faizabad and Gorakhpur. From p_1 to p_2 the production figures for the state moved up slightly from p_0 to p_1, the production in all the divisions was more than that of the state from p_0 to p_1. This gives a distorted picture. Among other divisions, the increase in production was the most marked in Allahabad and Faizabad. The production figures for other divisions were more or less stagnant from p_1 to p_2.

wheat

Among the crops in which the new strategy of agricultural production has been adopted and which have increased production, wheat is the most important. For this crop the index of area increased from 100 to 103 in the state from p_0 to p_1. The increase in area was the highest in Gorakhpur division followed by Agra, Allahabad and Meerut divisions. In Lucknow and Faizabad, the increase in acreage was less than that of the state while it decline[...] Jhansi and Rohilkand divisions. [...] Varanasi division moved with the s[...] From the p_1 to p_2 the index of area mo[...] from 103 to 127 for the state. Dur[...] this period the increase in area was [...] highest for Agra and the lowest for Fa[...] bad division.

The production index of wheat mo[...] from 100 in p_0 to 121 in p_1. The incre[...] in production was higher than the st[...] average in the divisions of Agra, Alla[...] bad, Rohilkhand, Gorakhpur and L[...] now. For the remaining divisions, it [...] less than the state figure. For Jha[...] division, the production index decl[...] from 100 to 90. It is interesting to n[...] that even though there was a decline [...] acreage in Rohilkand, its production [...] creased more than that of the state. [...] situation was quite the opposite in Mee[...] division. From p_1 to p_2 the index [...] wheat production moved from 121 to [...] for the state at a whole. During t[...] period production response was maxim[...] for Varanasi division (102 to 1[...] followed by Agra (140 to 221) [...] Gorakhpur (129 to 205) divisions. [...] production index for Meerut was a[...] more than that of the state. The incre[...] in the production index was less th[...] that of the state in Faizabad, Luckn[...] Allahabad and Jhansi divisions.

gram

Among the pulses, gram is the m[...] important. The acreage index of t[...] crop dropped from 100 in p_0 to 99 [...] for the state. The divisions of Ag[...] Meerut, Rohilkhand and Allahabad reg[...] tered increases in acreage while t[...] remaining devisions showed decline. T[...] increase was the most marked in Ag[...] division. As against this, the decline w[...] the most marked for Varanasi divisio[...] The decline in area was more severe fro[...] p_1 to p_2 than from p_0 to p_1. From p_1 [...] p_2 the acreage index for the state declin[...] from 99 to 88. Except for Jhansi divis[...] which registered an increase, all oth[...] divisions registered a decrease in acrea[...] This decrease was the highest (101 to [...] for Meerut division followed by Agra (1[...] to 79).

The index of production for the sta[...] as a whole decreased from 100 to 99 fro[...] p_0 to p_1. The fall in production w[...] more than the state average in the div[...] sions of Gorakhpur, Allahabad, Jhans[...] Varanasi, Meerut and Faizabad. Th[...] remaining division showed increase in th[...]

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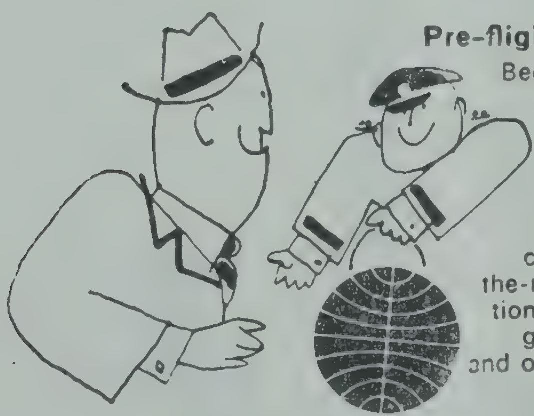

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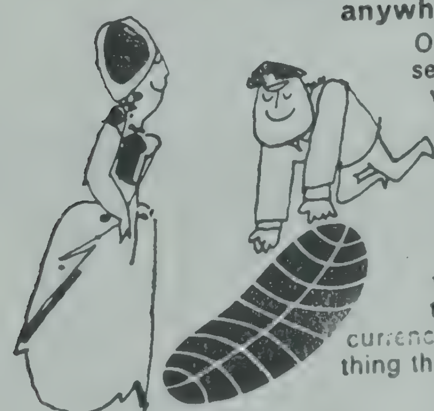

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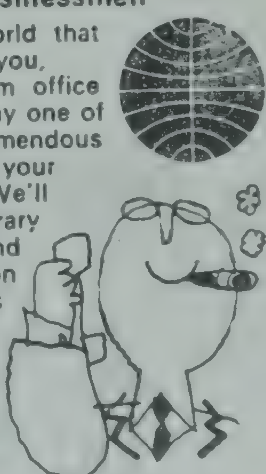

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production index. The increase was the most marked in Lucknow division while the decline was the most marked in Varanasi division. The changes in the production index from p_1 to p_2 were interesting. Even though there was considerable decrease in acreage for the state as a whole, the production index increased from 99 in p_1 to 111 in p_2. During this period, the divisions of Allahabad, Jhansi, Varanasi, Gorakhpur, Lucknow and Faizabad registered increases in production while the remaining divisions registered declines. The increase was the most marked in Jhansi division while decline was maximum for Meerut division.

oilseeds

The index for area under oilseeds increased from 100 in p_0 to 117 in p_1, for the state as a whole. The increase was more than the state average for the divisions of Rohilkhand, Lucknow and Faizabad and less for the remaining divisions. The divisions of Varanasi, Jhansi, and Allahabad registered a decline in area index, Unlike the increase in area from p_0 to p_1 period, in the case of p_1 to p_2 the state registered a decline. The only divisions which registered increase in area during this period were Meerut, Lucknow, Rohilkhand and Gorakhpur. The area increase was the most prominent in Meerut division while the decline was maximum for Jhansi division. The production of oilseeds in the state show 30 per cent increase from p_0 to p_1. The divisions of Gorakhpur, Faizabad Rohilkhand and Lucknow recorded more increase than the state. The remaining divisions remained below the state average.

As against this, Jhansi division showed a decline by 18 per cent. From p_1 to p_2 there was an over-all decline in the production of the state. The only division which registered an increase in production was Meerut. The figures of production were stagnant for Gorakhpur and Faizabad divisions. The maximum decline was registered in Agra division. Uttar Pradesh is a major producer of oilseeds and accounts for nearly 25 per cent of the total oilseeds production of the country. Efforts should be made to increase the production of oilseeds. Otherwise oil milling (including vanaspati industry) which is the second largest food processing industry in the state using oilseeds, both edible and non-edible as raw material, will face a crisis.

sugarcane

The index of area a increased from 100 in p_0 to 105 in p_1 for the state as a whole. In this, the divisions of Jhansi, Lucknow Varanasi, and Rohilkhand score over the whole state, the rise being maximum for Jhansi (100 to 128). The only division which showed a decline in area was Allahabad. From p_1 to p_2, the state as well as all the the divisions registered a decline in area. This decline was maximum in Jhansi. It was comparatively less in Gorakhpur, Meerut, Faizabad and Varanasi divisions.

The index of production of surgarcane for the state increased from 100 in p_0 to 107 in p_1. The divisions which registered more increase in production than the state were Jhansi, Agra, Faizabad and Gorakhpur. The division of Allahabad registered a decline. The remaining divisions moved either with the state or below the state level. From p_1 to p_2, the production index declined from 107 to 105 for the state. The decreasing trend was also observed in the divisions of Jhansi, Agra, Lucknow, Allahabad and Rohilkhand. The decline was maximum for the division of Jhansi followed by Agra. As against this, the divisions of Varanasi, Meerut and Faizabad registered an increase in production. This increase was maximum for the division of Varanasi.

Irrigation is the *sine qua non* for increased agricultural production; on the basis of increase in net irrigated area, the divisions which have gained more than the state average in the last ten years were Rohilkhand, Agra and Meerut. It was maximum for Rohilkhand. Among the loser divisions were Varanasi, Gorakhpur, Jhansi, Faizabad and Allahabad. As such, the losers are the eastern divisions and the Jhansi division. This may be either due to lack of attention by the government towards these divisions or personal efforts of farmers to develop owned irrigation structures or both. This situation is disturbing and attempts should be made by the government to see that these divisions move at least with the state's average in the coming years.

The analysis of the area indices revealed that the overall increase in area was more under the economically superior crops for Meerut and Agra divisions than in other divisions. The situation was the worst in the Jhansi division. On the basis of wheat which contributes about 17.5 per cent to the gross value of agricultural production in the state, the divisions of Jhansi, Faizabad and Luckno[w] were at the bottom. In the last te[n] years, the maximum area increase was i[n] maize followed by wheat, oilseeds an[d] bajra. It was stagnant for rice and dec[r]eased for gram and sugarcane. This wa[s] the situation for the state as a whole. Th[e] interesting aspects reflected by the ana[l]ysis were that the divisions which wer[e] famous for certain crops have less are[a] response than the other divisions which ar[e] not well-known for these crops. This wa[s] revealed by higher acreage increase f[or] rice in Meerut and for wheat in Gorak[h]pur, oilseeds in Rohilkhand and sugarcan[e] in Varanasi.

higher response

The production analysis revealed th[at] production response was higher from [p_1] to p_2 than from p_0 to p_1. The are[as] well-known for the production of particul[ar] crops have showed less production re[s]ponse than those which are not importa[nt] for these crops. It was evident from t[he] production index increase of rice in Meer[ut] wheat in Gorakhpur, oilseeds in Faizaba[d] sugarcane in Varanasi and gram [in] Lucknow.

The eastern-most divisions of Ut[tar] Pradesh have shown a decline in r[ice] production and an increase in wh[eat] production. This indicates the futu[re] possibilities in output rise in different di[vi]sions of Uttar Pradesh. In the last [ten] years, production increased maximum [for] wheat followed by maize, bajra, oilsee[ds] gram and sugarcane while it decreased [for] paddy.

The analysis further revealed t[hat] the divisions of western Uttar Prade[sh] Meerut, Agra and Rohilkhand w[ere] gainers in absolute terms. The bigg[est] loser divisions were Jhansi follow[ed] by the eastern divisions. The latter [d]isions were responsible for redu[ced] growth in agriculture in the state. Th[ese] are problem areas. To increase the a[gri]cultural growth of the state it is a n[eed] that the government should run spe[cial] programmes in these regions, specially irrigation facilities.

FROM THE PRESS GALLERY

Our Parliamentary Correspondent

NEW DELHI

AS INDICATED at the beginning of the monsoon session of Parliament in July last, the opposition parties did move towards the close of the session this week motions to express their lack of confidence in the government and, in fact, got two motions admitted in the Lok Sabha. But they decided not to press a discussion on them as they felt that in view of the departure of the Prime Minister for the non-aligned summit on Monday night, a detailed debate could not be held. All the opposition parties, except the CPI, of course, held the government responsible for the present economic and political crisis in the country. The CPI tried to skirt the issue by bringing forth an adjournment motion on the government's alleged failure to implement its decision to take over the whoesale trade in rice. They argued that an impression had been created that this decision was not going to be implemented with the onset of the Kharif marketing season. In the absence of any assurance from the government that wholesale trade in rice would be taken over soon, the CPI members staged a walk-out. The assurance of the Speaker, Mr G.S. Dhillon, that he would ask the government to make a statement on the issue did not satisfy them. The decision whether the trade in rice should be taken over by the government or not is likely to be finalised in the next few days after consultations with the opposition leaders and the chief ministers of states.

rising prices

The Lok Sabha also had this week its say on the Approach to the Fifth Plan. This debate, however, followed more or less the same pattern as the Rajya Sabha discussion on the subject a couple of weeks ago. Deep concern was expressed by almost all the members participating in this debate on the sharp uptrend in prices in the recent past and its likely impact on the size of the fifth Plan. The growing unemployment in the country too figured prominently in the debate, so also the need for making the country self-reliant as early as possible. The leftist members of the House alleged that the government lacked the will to usher in socialism in the country. They suggested that the government should take over foreign concerns, declare a moratorium on foreign debts, nationalise Indian monopoly houses and distribute surplus land to landless labour. The members with rightist leanings emphasised the need for stepping up production; they wanted the government policies to be specifically oriented towards this objective. Increased allocation for the development of backward areas in the country and for the upliftment of weaker sections of society was stressed by many members. It was suggested by them that conspicuous consumption of the affluent sections of society should be drastically cut. Some members desired increased production of mass consumption goods. The need for containing deficit financing and government's non-productive expenditure was emphasised by some members.

change in pattern

The minister for Planning, Mr D. P. Dhar, pointed out in this debate that the objectives of the fifth Plan included a drastic change in the pattern of consumption and production, provision of a healthy and efficient public distribution system for essential commodities, speedy land reforms, substantial increase in agricultural and industrial output and minimising of deficit financing. Despite the stresses and strains on the economy at present, the basic approach to the fifth Plan, he emphasised, did not call for any alteration although the uptrend in prices was going to have some impact on the size of the Plan.

Dwelling on the steps being taken by the government to impound excess money in the economy, Mr Dhar assured the House that deficit financing during the fifth Plan period would be kept to the minimum. Simultaneously, priority, he added, would be given to the production of articles of mass consumption.

The Planning minister expressed the view that the economic situation had got aggravated by lean agricultural production in the recent past, severe power shortage last year, the aftermath of the Indo-Pakistan conflict of 1971 and inflationary tendencies as well as shortages in the world market of certain essential items of our import. The last factor, he added, ma[de] it imperative for us to achieve self-relian[ce] as early as possible. Considerable i[n]vestment, Mr Dhar pointed out, therefor[e] had to be made in building up such i[n]dustries as fertilizers and steel. He fu[r]ther stated that there was no escape fro[m] having accelerated 5.5 per cent rate [of] economic growth.

Several important bills were adopt[ed] by the Lok Sabha in the last 10 days [of] the monsoon session. These included th[e] Foreign Exchange Regulation Bill, th[e] Payment of Bonus (Amendment) Bill, th[e] Indian Railways (Amendment) Bill an[d] the Reserve Bank of India (Amendmen[t]) Bill. This House also approved the su[p]plementary demands for grants of th[e] Orissa government for the current finan[-] cial year (The state is under President['s] rule at present). The Rajya Sabh[a] passed, the Foreign Exchange Regulatio[n] Bill, the Industries (Development an[d] Regulation) Amendment Bill, the India[n] Railways (Amendment) Bill and the Re[-] serve Bank of India (Amendment) Bi[ll]. The supplementary demand for grant[s] to the states of Orissa and Manipur wer[e] approved by the Upper House.

exchange regulations

Foreign Exchange Regulation Bil[l] which, among other things, sought t[o] remove certain inadequacies and lacuna[e] experienced in the working of the Foreig[n] Exchange Regulation Act of 1947, part[i]cularly those relating to the entry [of] foreign capital in the form of branche[s] and malpractices by importers and ex[-] porters in invoice manipulation, and als[o] provided for the carrying on in India an[y] industrial, commercial or trading activit[y] or establishment of a branch or an offic[e] for carrying on such activities by forei[gn] or a non-resident company in which th[e] non-resident interest is more than 40 pe[r] cent, was generally welcomed in both th[e] Houses. A former minister of the centr[al] government, Mr Manubhai Shah, stresse[d] in the Rajya Sabha that it would be o[f] great help to foreign investors if th[e] union government specifically laid dow[n] rules and guidelines for foreign inves[t]ments. He emphasised the need for [a] time-bound programme for reducin[g]

foreign equity in industrial establishments to 40 per cent in a phased manner and fixing of this limit for new investments. Lack of clear guidelines in this regard, Mr Shah said, resulted in protracted delays in finalising schemes which scared away foreign investors.

In his reply to the debate on this bill in the Lok Sabha, the Finance minister, Mr Y. B. Chavan, disclosed that the foreign exchange operations of foreign banks would be covered by the bill. The measure would be applicable to foreign banks, of course, not in the same way as to other foreign companies, but in regard to their foreign exchange operations. The bill was passed with some amendments, the most important of which was an official amendment to Clause 28 restricting the use of a trade mark by any person or company for any direct or indirect consideration without the permission of the Reserve Bank. The need for such a stipulation had been urged by several members, both belonging to the treasury benches and the opposition. Mr Chavan also revealed that, if necessary, the government would bring about further amendments to the Foreign Exchange Regulation Act in a couple of years.

minimum bonus

The Payment of Bonus (Amendment) Bill sought to make it obligatory for employers to pay a minimum bonus of 8.33 per cent for the accounting year 1972. During the debate on this bill, several members demanded that the payment of 8.33 per cent bonus should be ensured in the bill for the coming years also. The minister of State for Labour, Mr Raghunatha Reddy, assured the House that the government would look in to the matter. The decision in this regard, he however pointed out, could be taken only after the receipt of the Bonus Review Committee's report by the end of this year. The government, Mr Reddy added, would then bring forward a comprehensive legislation. This bill has already been approved by the Rajya Sabha.

The Indian Railways (Amendment) Bill aimed, among other things, at imposing death penalty for wrecking trains and causing death. The enhancement of penalties under the bill, the government hopes, would prove a deterrent to deliberate destruction of Railway property. The payment of compensation to railway accident victims to the extent of Rs 50,000, it was revealed during the debate on the bill, would be worked out soon. Apart from making wrecking of trains punishable with death sentence, the bill provided for increase in the penalties for various other offences such as pulling of alarm chains. The Reserve Bank of India (Amendent) Bill empowered the bank to join the Asian Clearing Union. The measure was adopted after a brief discussion in the two Houses.

The Industries (Development and Regulation) Amendment Bill, which was adopted by the Rajya Sabha, empowers the central government to call for the registeration certificates of any class of undertakings for entering therein their productive capacities and other particulars. The need for this legislation has been felt due to the fact that the registration certificates issued to industrial undertakings which were in existence before the Industries (Development and Regulation) Act, 1951, came into force, did not specify "productive capacity." So the capacities of such undertakings remains indeterminate. Under the bill, when the government seeks to specify the productive capacities of the above categories of industrial establishments, "it shall take into consideration the productive or installed capacity of the industrial undertaking as specified in the application for resistration, the level of production immediately before the date on which application for registration was made, the level of average annual production during the three years immediately preceding the commencement of the proposed amending act, the level of export and such other factors as the central government may consider relevant." The bill also provides for the inclusion of linoleum in the first schedule of the Industries (Development and Regulation) Act. The measure was adopted by the two House after substituting the word "highest" for "average" annual production during the three years immediately preceeding the commencement of the amending act, which is to be one of the considerations for fixing the capacity of an undertaking.

new code

The Code of Criminal Procedure Bill, which sought to repeal the existing law drawn up 75 years ago by the then British government in India and to replace it by a new comprehensive legislation, was inconclusively debated in the Lok Sabha. It came in for a scathing attack by the opposition particularly on the ground that Section 144 of the Code was being used indiscriminately by the government against political and trade union workers. They strongly resented what they described as the "sweeping powers" being given to police and executive in the several provisions of the new Code, and wanted that the operation of magisterial prohibitary orders should not have a life of more than six days, as against six months provided in the bill. The suggestion, however, was not accepted by the government. As several amendments have been made to the bill since it was passed by the Rajya Sabha in December last, it will have to go to the Upper House again after being adopted by the Lok Sabha for the consideration of the amended provisions.

The following important information was provided in the two houses by various ministers:—

(1) The Indian rupee depreciated in value in the first four months of the current financial year by 16.1 per cent in terms of the German mark, 9.95 per cent in terms of the Singapore and Malaysian dollar, 8.9 per cent in terms of the Netherlands' guilder, 6.6 per cent in terms of the French franc and 0.5 per cent in terms of the US dollar.

(2) An independent floating of the rupee in relation to other currencies is not considered advisable in view of the import control and exchange regulations.

(3) India's favourable balance of trade during January-May this year is provisionally placed at Rs 49.06 crores.

(4) The question of taking-over the wholesale trade in rice is still under the consideration of the union government. State governments are being consulted in the matter. The final decision on the issue will depend on their response. The union government, however, is determined to launch an intensive rice procurement drive and pay remunerative prices to farmers so that they voluntarily part with their stocks. The experience of the takeover of wholesale trade in wheat will be taken into consideration while deciding on the takeover of the trade in rice.

(5) The government proposes to amend the Essential Commodities Act to make penal provisions more stringent to combat hoarding and black marketing. The Defence of India Rules are to be used for bringing to book "big people" involved in hoarding and profiteering and not merely petty employees.

(6) According to the 1971 census, there are 47 million agricultural labourers constituting about 26.3 per cent of the total number of workers in the country.

(7) Frequent power breakdowns have taken their toll of steel production in the country. It will help the Steel Authority of India if it had some control over DVC power generation. The alternative is to have captive power units for steel plants. Thermal shocks due to power shut-offs can do plenty of damage to steel production. The estimated production loss caused by power cuts at the Durgapur, Rourkela, Bhilai and TISCO works between April and July this year amounted to 138,000 tonnes, valued at Rs 13.4 crores. The Durgapur steel plant has recently suffered additional loss due to power breakdowns during August.

WINDOW ON THE WORLD

Trade talks at Tokyo

THE MINISTERIAL meeting scheduled to take place in Tokyo from September 12 to 14, will signal the official inauguration of what, in many ways, may be the most important international trade negotiations since the establishment of the General Agreement on Tariffs and Trade (GATT) in 1948. Of particular significance will be the scope and timing of the Multilateral Trade Negotiations (MTN).

As regards, scope, it is amply evident that the MTN will be far broader than anything attempted at previous trade negotiations, which were mostly concerned with tariff reductions, and with tariffs on industrial products at that. Besides reduction in tariffs, the MTN will cover a multitude of other issues and problems relating to international trade :

The negotiations will be concerned with agricultural and industrial goods.

There will be a major focus on reducing non-tariff barriers.

Particular attention will be paid to the problems of developing countries.

Negotiations will be open to all countries, whether or not they are contracting parties to the GATT, under whose auspices the MTN will take place.

With regard to timing, the MTN will e taking place when considerable hanges in economic and trading relationhips among major trading groups have ccurred, resulting in an international conomy that bears little resemblance to ne world economy in the early postwar ra when the GATT was established. urthermore, the MTN will start at a me when protectionist sentiments have een on the rise in a number of major ading countries. To quote Olivier Long, e Director-General of GATT "..after ears of tension and clashes, the trad- g nations will thus find themselves seated around the negotiating table." Finally, the timing of the MTN is highly significant because trade negotiations will be taking place concurrently with the efforts being undertaken to reform the international monetary system. Given the close association of trade and monetary matters the interrelations between the monetary reform and the trade negotiations will receive considerable attention.

Since the conclusion of the Kennedy Round of trade negotiations in 1967, it has been expected that further trade negotiations would take place at some unspecified future date. However, the immediate impetus for the MTN may be traced to early 1972. Then, in the wake of the major currency crisis of mid-1971 and the Smithsonian Agreement on exchange rates of December 1971, bilateral talks were held between the United States and Canada, the European Community, and Japan. A major result of these talks was the commitment to participate in multilateral and comprehensive trade negotiations within the framework of the GATT, beginning in 1973, with a view to further liberalizing world trade through the dismantling of trade barriers and improvements in the international framework for the conduct of world trade.

These commitments were contained in joint declarations to the GATT in February 1972 by the United States, Japan, and the European Community. The declarations, which also invited other countries to participate, were briefly debated by the GATT Council of Representatives in March 1972. They were generally welcomed by all countries although representatives of developing countries stated that they could only commit themselves to full participation after they had a better knowledge of the ground rules that would govern negotiations.

Background preparations for the M have been going on for some time on fronts, namely (1) in a number of co mittees of the GATT since 1967, and within a special committee specially cre ed in 1972 for preparations relating the MTN. At the conclusion of Kennedy Round of trade negotiations 1967, two new committees were set under the GATT, the Committee Trade in Industrial Products and Agriculture Committee.

objective analysis

The Committee on Trade in Industr Products was instructed to prepare objective analysis of the tariff situati that would pertain after the full imp mentation of the Kennedy Round co cessions so as to prepare the ground f further reductions in tariffs, and bo committees were to undertake a co-or nated programme of trade liberalizati in the field of non-tariff barriers. T committee on trade in industrial pr ducts initially concentrated on wo relating to fact-finding and identificati of non-tariff barriers on the basis of no fications submitted by governments. Th work contributed to the compilation GATT of a catalogue of some 800 no tariff barriers classified in 27 categori Subsequently, it was agreed that th committee should focus on a few speci non-tariff barriers that appeared lea controversial and thus most likely to b amenable to multilateral negotiation

This stage of the work was to include th development of a set of concrete prop sals. For this purpose, practices relatin to valuation for customs, industrial an health standards and licensing we selected, while at a later date expor subsidies, import documentation forma lities, and packaging and labelling requir ments were added. As regards tariff the committee established a workin party in early 1971 to carry out an analy sis of the tariff situation that would exi after the Kennedy Round concessions, an in June 1972 the committee began consi deration of possible negotiation techn ques in general terms both as regard tariffs and non-tariff barriers.

In addition to the Committee on Trad in Industrial Products and the Agricultur Committee, the GATT Committee o

Trade and Development has, since 1970, been prominently involved in preparations regarding trade negotiations. This committee has concentrated mainly on the interests of developing countries and, in particular, has considered the implications for the developing countries of the negotiating techniques developed or discussed in the other committees. Within the Committee on Trade and Development the developing countries have frequently emphasized that their export problems must occupy a central position in any negotiations, which should also ensure that they obtain a large and growing share of world trade.

At the Twenty-Eighth Session of the Contracting Parties to the GATT in November 1972, the Chairman of the Committee on Trade in Industrial Products, the Agriculture Committee, and the Committee on Trade and Development reported to the Contracting Parties on the progress that had been achieved to date. At the same time, the Contracting Parties decided to create a special preparatory committee which, without encroaching on the jurisdictions of the three established committees, was assigned to examine the problems of trade in both agricultural and industrial products, as well as the specific problems of less developed countries.

The specific responsibility of the committee was to "analyze and interpret in common the essential facts" and to "develop methods and procedures for the negotiations with the full and active support of the three existing committees and in co-operation with them." The committee, whose membership was open to all contracting parties, held three sessions at which the objectives, the substance (including principles, coverage, and the approaches to be followed), and the procedures regarding the MTN were discussed. The committee has prepared a report for transmittal to the ministerial meeting setting forth the different views and approaches of different delegations regarding the principal issues. It has also submitted to the ministerial meeting a draft declaration which invites the ministers to adopt in broad terms the objectives and the general guidelines for the negotiations.

difficult task

In the MTN the task of reaching a harmonization of views will be difficult not only because of the diversity of topics to be covered and the differences in approach of various countries and groups, but also because the nature and complexity of some of the topics make for difficult negotiations. Some of the major issues on which attention will be focused are the the following :

Tariffs : Because of successive tariff cuts in the postwar era and the relatively low average level of tariff duties that at present apply to industrial goods, the question of industrial tariff reduction as such is unlikely to present a major hurdle. There seems to be a broad unanimity of views regarding the desirability of further tariff reductions and the major question may turn out to be the approach and method that is adopted for furthe reductions. or elimination, of these tariffs

Non-tariff Barriers: Negotiations on non tariff barriers will present a far more diffi cult task particularly given the wid variety of motives for which they ar maintained. A major task of the MTN will be to focus on these non-tariff barrier that have trade restricting or distortin effects and that therefore should mos urgently be brought under more effectiv international control. More specially, principal task will be to find an accept able method for negotiating reductions i non-tariff barriers, a task that is compli cated because of non-comparability of non tariff barriers maintained by variou countries.

Agriculture : While in the postwar er barriers to international trade in industria products have been considerably reduced progress in liberalizing agricultural trad has been far more modest. This is due t the highly complex and political nature c agricultural trade policy and the greate affinity between the protective agricultura measures applied against imports an general agricultural policy. A majo question is the divergence in approach t the topic by the Uuited States, whic desires improved access for its agricult ral exports, and the European Communit which is reluctant to modify the basis c its Common Agricultural Policy.

Safeguards : Safeguards refer to ru enabling a country to reintroduce tra barriers where imports create difficult such as unemployment or market disru

Growth of Exports from Main Industrial Areas

Exports from	Years	Exports to						
		EEC[1]	EFTA[1]	North America[2]	Japan	Other developed countries[3]	Other areas	Total exports
		(percentages over previous year, based on dollar values)						
EEC	1970	18.5	17.0	10.5	33.00	17.5	13.5	17.0
	1971	15.0	12.5	18.0	—4.5	11.0	12.5	14.0
	1972	22.5	25.5	17.0	24.5	23.0	15.5	22.0
EFTA	1970	15.0	19.5	3.0	14.5	11.0	8.5	13.0
	1971	8.5	11.5	16.5	6.5	11.5	15.5	12.0
	1972	17.5	20.0	18.0	20.0	7.5	8.5	15.0
North America	1970	23.5	18.5	3.5	33.00	22.00	16.5	14.5
	1971	—1.0	—5.0	14.5	—10.5	5.0	2.5	4.0
	1972	5.0	6.5	18.0	22.0	12.5	10.0	13.0
Japan	1970	34.5	46.5	19.5	—	33.0	13.5	21.0
	1971	25.5	21.5	29.6	—	10.0	25.5	24.5
	1972	34.5	42.5	19.0	—	18.0	13.5	19.0

Data: *Annual Report*, *BIS*, *June* 1973

1. Economic areas as at the end of December 1972. 2. Excluding Mexico. 3. Australia, Greece, Ireland, Israel, Malta, N Zealand, South Africa, Spain, Yugoslavia and centrally planned economies.

ion. Article XIX of the General Agreement provides for such use although few countries have resorted to these provisions in recent years. The question thus is whether the existing provisions are sufficiently well adapted to present needs and whether an amendment of this Article is necessary so as to provide a more effective safeguard clause that would seek to prevent unjustified reimposition of trade barriers.

Developing Countries: Developing countries have been invited to participate fully in the MTN. While the principle is generally accepted that developing countries should be accorded special treatment in international trade and, more specifically, special facilities for market access of their products, it remains to be seen to what extent the numerous demands made by the developing countries or on their behalf will be accommodated in the MTN. These include : negotiations should aim at reducing both the nominal and effective tariff protection on products of export interest to developing countries; all developed countries should implement and expand the Generalized System of Preferences; developing countries should be compensated for reductions in the existing preferential margins resulting from tariff concessions negotiated among the developed countries; all non-tariff barriers affecting exports of manufactures and semimanufactures from developing countries should be included in the negotiations; and developed countries should not expect reciprocity from developing countries in trade negotiations.

Framework for International Trade : Another issue is whether GATT rules other than those pertaining to safeguards should be reviewed and perhaps modified. While the possibility of such a review has raised some doubts on the part of some contracting parties, who are apprehensive that it might hamper progress in trade liberalization, others have strongly urged it. In particular, some countries seek a review of the GATT provisions governing the use of trade measures for balance of payments reasons, and others envisage the incorporation in the GATT of precise special provisions giving favourable treatment to develaping countries.

Inter-relation Between Trade and Monetary Matters. This is a question that transcends the MTN as such. Given th[e fact that] the MTN will be taking place concurren[t]ly with negotiations to reform the inte[r]national monetary system, the des[ir]ability and necessity of harmonizing th[e] two sets of negotiations is evident. The[re] are, however, differing views as to t[he] degree of this interrelationship and, [in] particular, the methods of achieving th[e] desired link.

The task of the ministerial meeting [in] Tokyo will be to consider the Preparato[ry] Committee's report and the declaratio[n] submitted by it, to establish a Tra[de] Negotiations Committee, and to provi[de] the necessary guidelines for the negoti[a]tions. The Trade Negotiations Committe[e] which will be the principal negotiatin[g] body for the MTN, will be composed [of] representatives of all participating cou[n]tries, and it is envisaged that it shou[ld] hold its first meeting not later tha[n] November 1, 1973. The Preparato[ry] Committee has expressed the goal that t[he] trade negotiations should be concluded [in] 1975.

—*Courtesy:* IMF Survey, August 27, 197[3]

Multinational corporations

THE UNITED Nations has just released a report on the role in world development of the growing business phenomenon of multinational corporations.

The report, prepared by the Department of Economic and Social Affairs of the United Nations Secretariat, will be considered by an international Group of Eminent Persons that meets in New York from 4 to 14 September to begin a study of the impact of multinational corporations on the development process and international relations.

The 195-page report provides aggregate data on their size, spread, geographical distribution, industrial structure and assesses their relative importance in the world economy. Focusing next on the nature of the multinational corporation it discusses some of its salient features, such as motivation, organization, control, profit and ownership policies.

The report also discusses the impact of multinational corporations on international relations and on home and host country including tensions that develop between them and those countries. It also assesses the implications of the operations of multinational corporations on the international trade and monetary regimes as well as on jurisdictional issues relating to taxation.

Finally, a review of existing policies towards multinational corporations is followed by proposals for national, regional and international actions.

The Group of Eminent Persons, which was established by the Economic and Social Council a year ago, will follow its first session in New York with a second section scheduled for November 5 to 16, 1973, in Geneva, and a final session which is planned for February/ March 1974, in New York.

At both its first and second (November 5 to 16 in Geneva) sessions the Group will devote several days to hearing the views and proposals of senior government officials and top multinational corporation executives, officials from labour unions and public and special interest groups, as well as leading academic experts in the field.

Because multinational corporations, unlike governments, "are not directly accountable for their policies and actions to a broadly based electorate", the paramount issue, according to the repor[t] "is whether a set of institutions an[d] devices can be worked out which wi[ll] guide the multinational corporation[s'] exercise of power and introduce som[e] form of accountability to the internatio[n]nal community into their activities".

The report observes that the mai[n] areas of concern have been actual o[r] potential use by multinational corpora[]tions of the great power concentrate[d] in their hands, "their ability to shap[e] demand patterns and values and to in[]fluence the lives of people and policies o[f] governments, as well as their impact o[n] the international division of labour".

"Multinational corporations", th[e] report amplifies in this connexion "through the variety of options availab[le] to them, can encroach at times up[on] national sovereignty by undermining th[e] ability of nation-states to pursue the[ir] national and international objectives".

Acknowledging that conditions [in] the real world do not permit an idea[l] system of international exchange and co-operation, the report nonetheless under[]lines the need for arriving at a practica[l] economic solution in which "politica[l] entities", differing widely in endowment

n co-operate to reconcile their conflicting interests, harmonize their policies [for] their mutual benefit, and achieve a [gre]ater measure of international distributive justice".

Noting the "distinct advantages" [whi]ch multinational corporations have [dev]eloped that could be put to the ser[vice] of mankind, the report states that [the]ir ability to tap financial, physical [and] human resources around the world [and] to combine them in economically [feas]ible and commercially profitable ac[tivit]ies, their capacity to develop new [tech]nology and skills and their produc[tive] and managerial ability to translate [reso]urces into specific outputs have prov[ed] to be outstanding".

[Ge]ographical spread

The report sees the size and geogra[phi]cal spread of multinational corpora[tion]s, the multiplicity of their activities, [thei]r command and generation of re[sou]rces around the world, and the use of [suc]h resources to further their own ob[ject]ives, rivalling in terms of scope and [imp]lications traditional economic ex[cha]nges among nations. International [pro]duction generated by multinational [cor]porations has surpassed trade as the [ma]in vehicle of international economic [exc]hange.

The bulk of the activities of multi[nat]ional corporations (about two-thirds) [is] in the developed market economies [wh]ere, according to the report, the ad[van]ced economic level and similarities in [ins]titutional and social structures have [fac]ilitated the spread of the multination[al] corporate system.

Developed marked economies serve [sim]ultaneously as home and host coun[trie]s, the report notes, except the Uni[ted] States which is primarily a home [cou]ntry. The relative importance of for[eig]n multinational corporations is also [lim]ited in the case of Japan where regu[lat]ory policies have restrained foreign [ent]ry. On the other hand, in Canada [for] example, foreign affiliates account for [..] per cent of manufacturing output [an]d 65 per cent of mining and smelting [ou]tput the report points out.

The relationship between multinatio[na]l corporations and the centrally plan[ne]d economies has often involved co[op]erative arrangements in production, [th]e development and transfer of tech[no]logy and marketing. This reflects what [th]e report calls "more outward-looking [po]licies".

The report notes that even though [on]ly one-third of the direct investment [of] multinational corporations is in developing countries, the presence of such corporations in these countries is generally of greater relative significance than in developed countries since developing countries' economies account for much less than one-third of the combined Gross Domestic Product of developing and developed market economies.

Among the developing countries, the western hemisphere has attracted an estimated 18 per cent of the total stock of foreign direct investment, Africa six per cent, Asia five per cent, and the Middle East three per cent.

The distribution of investment in developing countries reflects historical ties, some of a formerly colonial nature. Thus, the presence of many European countries is concentrated in their former colonies, while 70 per cent of United States multinational corporation affiliates in developing countries are in Latin America, with the rest more or less equally distributed among Africa, Asia and the Middle East.

US multinationals

Eight of the 10 largest multinational corporations are based in the United States, which also account for more than half of the total estimated stock of foreign direct investment, and together with the United Kingdom, the Federal Republic of Germany and France account for over 80 per cent of the total stock of foreign direct investment estimated at about $165 billion. Moreover, the report continues, foreign direct investment tends to be concentrated in a few firms within each home country, except in Japan where some small firms have also participated in foreign investment.

Many multinational corporations are bigger than a large number of entire national economies, the report observes. Indeed, the production (value-added) by each of the top ten multinational corporations in 1971, was in excess of US $3 billion—or greater than the individual gross national product of over 80 countries.

Manufacturing represents 40 per cent of the activities of multinational corporations while petroleum represents 29 per cent. Whereas in developing countries half of the estimated stock of investment is in extractive industries and a little more than a quarter in manufacturing, in developed market economies half of it is in manufacturing, and about 30 per cent is in extractive industries. However, the relative importance of multinational corporations in developing countries is rising in the manufacturing and service sectors and declining in the primary industries, particularly those connected with agriculture.

According to the report, multinational corporations have also been active in banking, tourism and consulting. Foreign bank locations in particular have grown dramatically in recent years. Between 1965 and 1972 United States banks more than tripled their foreign locations to over 1,000.

The report describes the dilemma facing host, particularly developing countries: on the one hand, multinational corporations can increase their exports, level of technology, employment and managerial know-how; on the other hand, multinational corporations can undermine governmental priorities, fiscal and monetary policies and income distribution policies. Moreover, sovereignty can be encroached upon, cultural values of host countries can be influenced and the whole pattern and orientation of development can also be affected.

The concentration of know-how in the hands of multinational corporations, which is reinforced by such legislation as patent laws, is one of the causes of monopoly control, the report states. Technology flows and payments for them absorb a considerable proportion of the export earnings of developing countries. For example, the report points out that the cost for such payments for 13 developing countries in the late 1960s amounted to US $1.5 billion. These countries represented 56 per cent of the total Gross Domestic Product of all developing countries, and their payments were more than half of direct private foreign investment to all developing countries.

impact on employment

The report considers the employment impact on host countries by multinational corporations as "positive, since extreme cases of destruction of local industries and wholesale displacement of labour are rare". However, despite the indirect employment effects "largely arising out of the use of local suppliers, distribution channels and ancillary services" the report feels the total employment impact is "modest in the context of the total economy". Regarding the balance of payments, when all the direct and indirect effects are taken into consideration, the net result will vary depending on the available alternatives.

Turning to social and cultural effects, the report notes the "strong reaction against multinational corporations in host countries, particularly developing countries". Their financial power and

easy access to the top hierarchy of government and business, "is especially resented by local elite groups". Multinational corporations, which are depicted in some quarters as key instruments for maximizing world welfare, are seen in others as dangerous agents of imperialism, the report states. "Multinational corporations", it continues, "through their tacit alliance with certain social groups, may even be regarded as obstacles to appropriate social and political development".

Multinational corporations have been linked to the viability of the entire international monetary system, according to the report. Noting the potential power of multinational corporations to "precipitate a currency crisis" by moving their assets from one currency to another, it suggests that any future monetary regime should take into account the implications of the operations of the multinational corporations.

significant implications

The implications of the multinational corporations on international trade have also been found to be significant. Investment can be substituted for trade, and the predominance of transactions among affiliates tend to limit the size of the free market and thus the effects of trade policies might be diluted.

On taxation, the report discusses the problems of "inter-country differences in tax rates, definitions of taxable income accruing abroad which are compounded by transfer pricing practices that affect income allocation, and different schemes of compensation for taxes paid abroad practised by governments". It calls for alternatives to bilateral tax treaties to rationalize taxation of multinational corporations.

The report proposes measures for consideration by the Group of Eminent Persons to monitor activities of multinational corporations and to deal with the issues "flexibly and simultaneously". These measures are addressed to corporations, labour unions, and particularly home and host countries for implementation at the national, regional and international levels. The report recognizes the need for action to give substance to the concept of "corporate social responsibility", including the adoption of a system of the "Calco doctrine which would finds merit in the renunciation by home countries of interference in the internal affairs of host countries and in the adoption of the "Calco doctrine which would ensure that subsidiaries did not appeal to their governments for protection or support".

To reciprocate the acceptance of the Calco doctrine, the report goes on to suggest that host countries give guarantees of economic rights to foreign affiliates "such as procedures for compensation following nationalization and even the use of a previously specified formula determining the level of such compensation". The report stresses the importance for host countries to be consistent in their policies and suggests that they could better co-ordinate their dealings with multinational corporations through an agency established for that purpose.

It is also proposed that some machinery be set up in home countries to screen activities of multinational corporations beyond existing measures concerning taxation, monopoly, securities and exchange. Such a measure of public disclosure, the report suggests, would greatly promote the accountability of these corporations.

In the case of regional common markets and groupings, the report suggests harmonization of investment incentives and industrial policies could present a countervailing force to multinational corporations.

The report also assesses several measures that could be undertaken internationally. Some of the measures suggested are:

Providing a forum within the United Nations to systematically study and discuss issues that may lead to action;

Systematic gathering, analysis and dissemination of information on multinational corporations by the United Nations;

Building up a corps of key multidisciplinary personnel within the United Nations so that tec[illegible] co-operation teams could be [illegible]nized and fielded with a minim[illegible] delay. The study expresses the [illegible] that from analysis of contr[illegible] arrangements with mlutina[illegible] corporations, model contract[illegible] corporating the essential fe[illegible] could be developed to fac[illegible] negotiations;

In view of the complicated [illegible] of taxing multinational co[illegible]tions and pricing mechanisms, [illegible]lishing "a world-wide tax [illegible] body" to "at least alert the de[illegible]ing countries to the danger[illegible] now face"; and

Codifying guidelines and ru[illegible] conduct for multinational co[illegible]tions in a "multilaterally neg[illegible] charter" and creating an "in[illegible]tional organization such as t[illegible]ternational Trade Organizat[illegible] to administer it". Although t[illegible]port recognizes that the est[illegible]ment of such a body is not [illegible] the near future, it suggests that [illegible] broad international code of c[illegible] may be generally acceptable a[illegible]sent.

The report advances still anoth[illegible]gestion: multinational corporations [illegible] satisfy certain criteria of "multin[illegible]lity" and which agree to observe [illegible] requirements, such as the intern[illegible] minimum disclosures, periodic [illegible] and disavowal of restrictive b[illegible] practices, might register with an [illegible] of the United Nations such as a [illegible] for Multinational Corporations.

Courtesy: UN Centre for Econom[illegible] Social Information.

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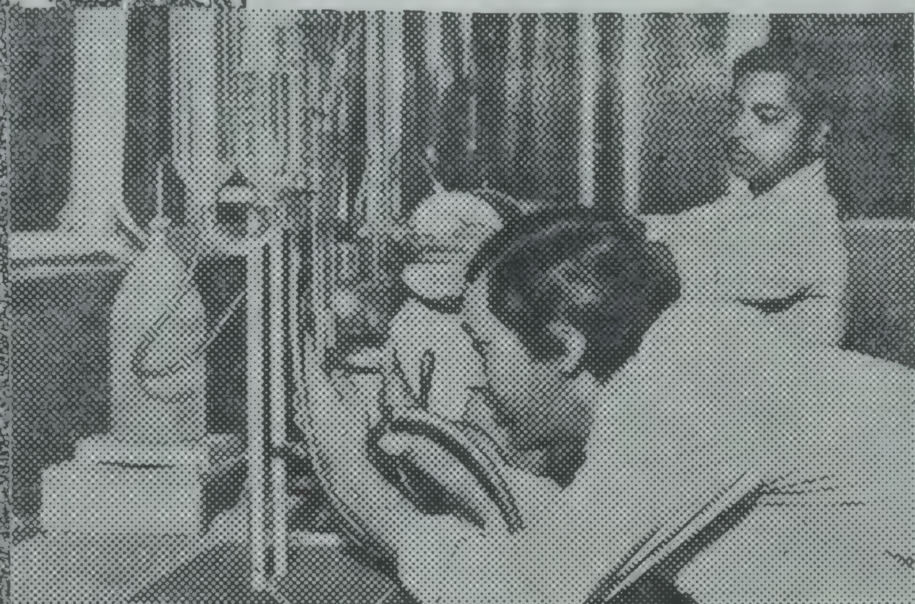

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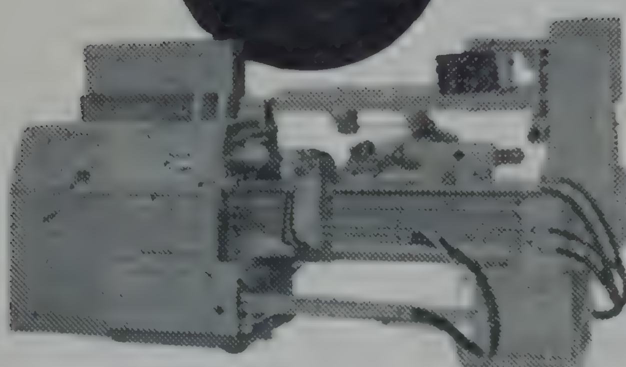

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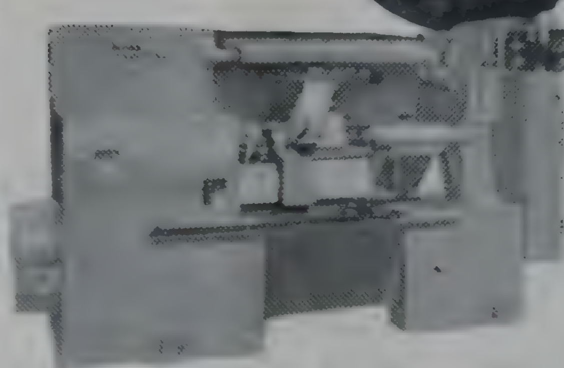

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MOVING FINGER

Whether the latest Indo-Pakistan agreement could make it possible for this subcontinent to be at peace with itself at last would depend as much on the manner in which this settlement is implemented as on its being followed up by agreements between the two countries on other important issues. I am not suggesting even for a moment that the only sure test of the productivity of this agreement is whether Islamabad is prepared to see reason in the matter of its dispute with New Delhi over Kashmir. It is obvious that Mr Bhutto is not yet sufficiently firmly established in the position of leader of his country to contemplate any constructive initiative in this respect—assuming, of course, that he himself is wise enough to want to face the fact that the Kashmir debate is a dead horse. His immediate concern, in fact, must be to squeeze the last drop of popularity or credibility for himself out of his delegation's successful negotiations in New Delhi for the return of the Pakistani prisoners of war who are now being held in India.

What may reasonably be expected, therefore, is that Mr Bhutto and his government should show reasonable interest sooner or later in restoring normal economic and commercial relations between his country and ours. It is an outrage on common sense that Pakistan and India should be deterred indefinitely from trading with each other when there is every indication that an exchange of goods and services between the two would not only be of benefit to the economies of both but would also do more than anything else can to wipe out the animosity of decades which has come to colour the relations between the peoples of the two countries. It is true that India itself is going short of most of those goods for which a ready market exists in Pakistan but then, since our country's declared policy is to promote exports, the development of freer trade relations between the two countries should, on balance, be of more or less equal advantage to either. Unfortunately there are not many in Mrs Gandhi's entourage who may be capable of doing a Haksar in the area of Indo-Pakistan economic relations. It may not be a bad idea perhaps for Mr D. P. Dhar to obtain leave of absence from the Planing Commission and address himself to this matter. There clearly is not much that he can immediately accomplish at Yojana Bhavan.

It seems to me that the Maruti affair is ripe for a probe by an all-party committee of both houses of parliament. Enough has been said in Lok Sabha or elsewhere on various aspects of this business and, in particular, about the acquisition of the factory site, the association of certain industrialists with the project or the manner in which a dealer network is being organised, to warrant an investigation of the nature and extent of the involvement of government machinery or the possible exercise of political influence in the promotion of the private business enterprise of a son of the prime minister. Unfortunately, the fact that an inquiry is indicated need not necessarily mean that one will be held. On the contrary, since the prime minister must be sorely tempted to resist any attempt that may be made in parliament to force the issue, it could be safely assumed that the overwhelming majority her party enjoys in the legislature will be used to frustrate any move made in that forum to mount an effective demand for a probe. In the circumstances, the only way in which sufficient pressure could be brought to bear on the government and compel it to submit to an investigation by a competent body the Maruti business with all its permutations and combinations, would be for enough authentic information to be collected and published in the press.

There have however been no signs so far that the leading newspapers, which alone have the resources to undertake a job of this kind, are over-keen on venturing on the needed investigative reporting. As a matter of fact, a recent article in the *Hindu* (written by a member of its news bureau in New Delhi) may serve as an indication that there is a disturbing disposition on the part of the press or parts thereof to treat the Maruti affair as if it were just another business proposition and not a matter raising the issue of clean government. In the circumstances, I am wondering whether this journal should not offer a sufficiently attractive prize for in-depth reporting on the controversial aspects of the Maruti affair, th merits of this writing being judged i terms of the authentic information provides and the adequately documente and properly argued conclusions advances. As it is, there has been enoug speculation and kite-flying to justif perhaps the assumption that where ther is smoke there must be fire. But th surely is too unsatisfactory a state for public debate with important implication to stagnate in indefinitely.

Talking of clean government, the essence of the matter is tha Caesar's wife must be seen to be abov suspicion. This is why it is so importan that Mrs Gandhi's administration at th centre should purge itself as soon a possible of popular or other suspicion or misgivings about its part or role in th Maruti affair. So long as this is no done, no particular validity can be attach ed to the clean chits which Mrs Gandh may be issuing from time to time to he party-men such as the chief minister o Haryana. For the same reason, if fo no other, her going to the defence o certain cabinet colleagues of hers such a Mr L. N. Mishra cannot be as productiv an exercise as it would otherwise b This is perhaps to be regretted since, give the factionalism in Bihar politics, would be obviously unfair to the Railwa minister to convict him more or less ou of court on the basis of a report of th Estimates Committee of the Biha Assembly alleging irregularities or impro prieties on the part of the 'Mishra fami and its agents and relatives' with regard construction contracts for the Kosi pro ject, especially when the validity of th report has been challenged by certa members of the Estimates Committee i self on substantive as well as procedur grounds.

Meanwhile, it is becoming more an more clear as days pass that, thanks the manner in which Mrs Gandhi h been conducting the politics and t government of this country since the sp in the Congress organisation, corruptio has become the one growth share in t stock exchange of public life or priva activity. I am therefore rather amused the observation of Dr Y. S. Parmar, t chief minister of Himachal Pradesh, th it has become necessary to delink t press from the industrialists. I shou have thought that it is even more urge and relevant that politicians should delinked from businessmen. There for instance, the association of t Parmar family itself with a certain la business house of Bombay which has been founded on a textile fortune.

VB

BOOKS BRIEFLY

Motivated management

Reviewed by
Academicus

lanagerial Compensation and Motivation in Public Enterprises: Laxmi Narayan; Oxford & I.B.H. Publishing Co.; 1973; Pp 157; Price Rs 25.

roblems and Prospects of Agricultural Taxation in Uttar Pradesh: D.N. Dwivedi; People's Publishing House; 1973; Pp 228; Price Rs 25.

luman Factor in Economic Growth: S.C. Nandwani; Cosmopolitan Publishing House. New Delhi; 1973; Pp 108; Price Rs 15.

ndian Public Finance and Financial Administration: D.C. Barjatiya; Commercial Book Centre Pvt Ltd; Neemuch-3 (MP); 1973; Pp 228; Price Rs 12.

ublic Finance in Underdeveloped Countries: A.R. Prest; Vikas Publishing House Pvt. Ltd; Pp 208; Price Rs 37.50.

argaining Cooperatives: Ashok V. Bhuleshkar; Jawaharlal Nehru Memorial Institute of Development Studies, Bombay; Pp 194; Price £ 3.

HE TOTAL investment in economic enterrises of the central government comes o more than Rs 5,300 crores and if we dd to this the investments in the river alley and similar projects and invesments f the various state governments in proects such as state transport, electricity eneration and so on, the total investnent in the public sector would be somevhere around Rs 15000 crores. Though t may be admitted that return on capital nvested cannot always be the main or ven the most important criterion to judge he efficiency of a public enterprise, the act remains that in a capital-scarce underleveloped country like India, one of the najor problems of the economy for quite sometime is how to get the opimum returns from these massive investnents in the public sector.

reasons for lapses

Among the reasons responsible for the unsatisfactory functioning of public enterprises, the quality of management is one of the most important. It is hardly appreciated that managing big-sized industrial enterprises is as much a technical matter as the production itself. The country has been paying a high price for this lapse. There is therefore a clear need to attend to this area where it is comparatively easy to effect improvement. The field of management, covering areas such as internal management, perspective planning, administrative organisation, financial and other controls, management information systems, delegation of authority and managerial motivation requires careful analysis and study if Indian public enterprises are to show better performance. Prof. Laxmi Narain who has specialised in this field has made an attempt to discuss in his book *Managerial Compensation and Motivation in Public Enterprises* the question of managerial motivation which is the basis of efficient management. No improvement in the public sector performance is possible without a band of highly motivated and dedicated managers.

right atmosphere

How can government create an atmosphere in which the public sector manager would be able to give his best? This is the question to which Prof. Laxmi Narain has addressed himself. For this he has undertaken an empirical survey of over 1200 managers in 47 important public sector enterprises. He has made an attempt to analyse the various factors which influence the morale and motivation of managers, their present level of salary scales and other benefits and their effect on motivation and also the more difficult question of manager's commitment to the public sector.

It would be instructive to know the findings of this study. The author's survey contains an analyis of the following factors with a view to examining their bearing on managerial motivation: (a) decision-making authority, (b) opportunity for personal growth and development, (c) job security, (d) prestige of the organisation outside the company, (e) feeling of worthwhile accomplishment, (f) pay, allowances and other benefits, (g) opportunity for promotion and (h) recognition for good work accomplished.

It was found that in the ranking of motivating factors, the first place went t the feeling of worthwhile accomplishmen followed by opportunity for persona growth and development. The lowe rank went to job security while pay an benefits get a place just above job sucurit The low priority which pay and allow ances as also job security occupies is very revealing thing. Apart from th above mentioned motivating factors, ther were some others such as clear job defin tion, commitment to the goals of th organisation, status within the organis tion, management's support for decision affecting the subordinates and so o which were seen to considerably influenc managerial motivation and efficiency.

inhibiting factors

The author has also referred to ce tain factors, according to their ranking which are the factors inhibiting th motivation of managers. These facto are: attitude of workers and their union inadequate communication, governme interference, lack of consistency i management policies, audit contro sloth and bureaucracy in managemen lack of clear definition of responsibiliti and lack of fairness in personal matters.

Scrutinising the ranking of the motiva ing factors in the case of Indian man gers, the reader would find it rath difficult to accept the author's findin that pay and benefits and job securi occupy, among the eight different motiva ing factors, the last two places. The fin ings may be so, based on answers t questionnaire; but one knows how suc questionnaires are answered. If as p the finding of the study the first pla were to go to "feeling of worthwhi accomplishment" among the differe motivating factors, the story of India public enterprises would have been total different. The tarnished image wh they present today would not have be there. Do we not know what is happe ing in Air-India and such other publ enterprises? One is afraid that th methodology followed by the author this field of study and its mechan application has given a completely distor ed picture of the situation. If simil studies are to be worthwhile and are t be of significance for policy formulatio

better method in this field will have to be devised.

Taxing Agriculture

The problem of agricultural taxation in India has perplexed economists and administrators, particularly since the planning era began in India. From the Taxation Enquiry Commission of 1952-53 to the Committee on Taxation of Agricultural Wealth and Income (Raj Committee) of 1972, innumerable studies have appeared on this subject. All the stereotyped arguments in favour of such a tax are repeated *ad nauseam*—rising prices of agricultural products since 1956, vast investments made in the agricultural sector since 1951, necessity of mobilisation of resources for rapid economic development, undertaxation of the agricultural sector vis-a-vis the non-agricultural sector of the Indian economy and above all the part which taxation of agricultural income and surplus has played in bringing about rapid economic development of Russia, Japan and China.

The contrary arguments have been equally stereotyped—that agriculturists do not keep accounts, especially regarding the costs of production, that there is no idea of the actual surplus which is available in the agricultural sector of the economy, that a tax on agricultural income would adversely affect investment on private account in agriculture, that on administrative grounds alone the measure is impracticable and that the agriculturist lobby would successfully sabotage the above. These arguments in favour and against agricultural taxation have been heard again and again so much so that the arguments have lost all novelty.

What then has made D. N. Dwivedi to write his *Problems and Prospects of Agricultural Taxation in Uttar Pradesh*, apart from the Ph.D degree of the Banaras Hindu University for which the original thesis was written? The author is of the opinion that the discussion regarding agricultural taxation is being carried on in only general terms and unless the analysis is built on the firm foundation of empirical data and research at the state level, no strong and viable case can be made for the imposition of such a tax. And hence this book analysing the problem in connection with Uttar Pradesh.

Exhaustive treatment

The author has dealt with the problem exhaustively giving details regarding features of the agricultural economy of Uttar Pradesh, role of agricultural taxation in the economic growth of that state, direct taxes imposed by the state and local bodies on the agricultural sector as also their base and trends in their yields, their relative revenue significance and their incidence, approximate estimate of the total tax burden on the agricultural and non-agricultural sectors taking into account all the central and state taxes, both direct and indirect, comparative study of the inter-sectoral tax burden in respect of agricultural and non-agricultural sectors, validity of the arguments which are put forward from time to time in favour of additional agricultural taxation in Uttar Pradesh, approximate estimate of the taxable capacity of the agricultural sector in the state and policy implications that follow from all the above analysis.

On the basis of his detailed analysis, the author has arrived at some important findings. It is found that Uttar Pradesh being an extremely poor state, there is an urgent need for a vigorous attempt on the part of the state government to mobilise resources, both financial and physical from all possible sources and by all possible means and to invest them in the most expedient manner most conducive to the rapid economic development of the state. In this context agricultural taxation can play a very significant role by providing finance for capital formation within and without the agricultural sector, by providing adequate marketable surplus to meet the growing requirements of expanding non-agricultural sector, helping the allocation of resources in the agricultural sector and by serving as a measure of agrarian reform, particularly with respect to equitable distribution and optimum use of land.

defective system

Against this background, according to the author, the present system of agricultural taxation has been found defective in many respects. For example, there is the unscientific basis of assessment of land tax, inflexibility of land revenue rates, lack of uniformity, lack of progression and low incidence of agricultural taxation. Also comparing inter-sectoral tax burden, the author has found that "Per capita tax burden in the nonagricultural sector is about seven times higher than that in the agricultural sector." According to the author therefore "there is vast scope for additional taxation of the agricultural sector in this state."

On the basis of his analysis and findings, the author has made certain proposals. The specific objectives which he has kept in view while making the proposals for agricultural tax reform are: (i) "to introduce dynamism in the system of agricultural taxation with a view to bringing it in agreement with the goals of agricultural and general economic development, (ii) to prevent uneconomic use or undercultivation of land or holding of land for speculative purposes, and (iii) to prevent land accumulation by the wealthier class of agriculturists."

The author is aware that in the present political context, any sensible proposal for agricultural tax reform would face outright rejection. In view of these hurdles in the way of implementation of this reform, the author has designed proposals in two sets. The first set could be, according to the author, implemented within the existing political and social conditions of the state. The second set of proposals consists of measures which aim at radical change in the agricultural taxation system and can be implemented one by one in the long run "when political and social conditions provide a favourable condition."

short-term measures

As regards short-term measures, according to the author, one of the irregularities of the land taxation system is that different types of tenure holders in UP pay land revenue at different rates, the rates varying from Rs 2.50 to Rs 5.82 per acre depending on the nature of the tenure. According to the author, there is every justification for bringing the tax rates paid by bhumidars on par with rates paid by sardars. If this proposal is implemented and land revenue rates are made uniform, about 169.40 lakh acres of land occupied by bhumidars will be subject to an additional land tax at the rate of Rs 3.32 per acre and the state government will be able to raise an additional revenue of about Rs 403 lakhs per annum. As this measure aims at removing the unjustifiable tax concession enjoyed by bhumidars compared to sardars, it is not likely to have any disincentive effect on agricultural production.

As a short-term measure Dr Dwivedi has also recommended a surcharge on land revenue. He has based his scheme of surcharge on land revenue on the level of residual taxable capacity in different categories of household holdings (instead of recommending surcharge as some proportion of land revenue as done by many others). He has recommended that surcharge be imposed at the rates varying between 10 to 20 per cent of the residual taxable capacity. This measure appears reasonable as it distributes tax burden on farmers according to their taxable capacity. The author has also suggested as short-term measures certain steps which he calls quasitaxation measures. The government can tax a part of taxable surplus by inserting tax element in procure-

ent price at which government purhases foodgrain levies from the farmers t can be implemented by keeping his rocurement price at a level lower than he market price. But this tax element hould be reasonable as otherwise it might ave an adverse effect on production, educing income, saving and investment of farmers. A similar procedure may be dopted with respect to irrigation rates. n Uttar Pradesh irrigation works incured at the end of the third Plan a net loss of Rs 6.38 crores. In order to plug this drainage, irrigation rates may be revised upwards to the extent of net loss. If however this upward revision of irrigation rates involves the danger of drifting away of farmers from public irrigation works to private irrigation from wells etc., "a compulsory levy in the form of capital levy or betterment levy may be imposed on the area where irrigation works have been constructed." The author has also suggested that if administration of irrigation works is improved, farmers are unlikely to substitute it by private irrigation from their own sources.

important suggestions

As regards long-term measures, the author has made two important suggestions. According to him the long-term strategy in agricultural taxation should be "to convert land revenue, the present land tax, into wealth or property tax. The wealth or property tax assessed for taxation purposes should not consist of only land but should include other components of agricultural wealth also, such as live stock and pukka and semi-pukka buildings. It should, however, exclude agricultural implements including irrigation instruments." According to the author this proposal, on the one hand would discourage expenditure on construction of gorgeous residential buildings and on the purchase of such live stock as are not likely to be used in cultivation, and on the other hand, will encourage investment in land improvements, construction of irrigational channels and purchase of modern agricultural implements and tools which are conducive to the enhancement of their income in future. The author is of the opinion that this long-term proposal will not only broaden the base of agricultural taxation but will also help in generating saving and investment in the agricultural sector. The author has given a fairly detailed outline of the scheme of above agricultural taxation.

The second long-term proposal which the author has made concerns the taxing of surplus labour which is one of the dominant features of the agricultural economy of India. This may prove to be a very important source of rural development. Such labour should be used as far as possible for local capital formation and on projects which are well-prepared in advance. The idea of labour taxation is not new. Many developed countries such as the USA, France and Britain have had recourse to labour taxation at one time or another in the initial stages of their economic development. These then are the short and long-term proposals of Dr D. N. Dwivedi.

Since the time of the Taxation Enquiry Commission more than twenty years ago, there are proposals galore on agricultural taxation from innumerable committees and authors so much so that reading of even what are claimed to be new proposals on the subject produces a sort of sickening effect on the readers. All aspects of the problem are fully thrashed out and one doubts whether anything new could be added at least to the theoretical analysis of the subject. It is the political will that is lacking and one doubts if until the power of the new class of Indian kulaks is destroyed the measures can be pushed through successfully. This means agricultural taxation in India has ceased to be an economic problem and has become essentially a burning political issue. A government which could not even think of producer levy during the famine condition which by many accounts was worst in the century, cannot be expected to think of any such measure that will even slightly damage the interests of the landlord lobbies which control most of the state legislatures. The memory of the manner in which late Prof. D. R. Gadgil's proposal in the National Development Council was greeted by most of the chief ministers is still fresh in the minds of the readers.

The Human Factor

During the Nehru era, not a month used to pass when some foreign expert or the other did not visit this country advising how to accelerate the economic growth of the country. It so happened that most of these so-called experts hailed from developed countries where the quality of human factor is fairly high. Being familar with the human environment in their countries, it was human enough for them to take the existence of similar socio-cultural background for granted when they visited this country. Most of their advice came therefore to be concentrated on some important economic variables of growth such as rate of saving and investment, capital-output ratio, balanced versus imbalanced growth and so on. The fact that quality and character of the people is possibly the most important factor of production came to be neglected. In the absence of the right type of human factor (apart from mere quantity of labour), even abundance of other factors of pr such as land and capital will take country nowhere. The credit for bring home this point in the most marked w goes to Gunnar Myrdal who has focus his attention on this point in his *A Drama*. S. C. Nandwani in his *H Factor in Economic Growth* has em this aspect with special reference to I

It is common knowledge that hum beings are both consumers of goods a services and also their producers. T means that what they produce ge influences what they consume and w they consume generally influences w they produce.

productive skills

Human capital refers to man's pr tive skills, talents and knowledge. It measured in terms of the value of goo and services produced. According to t author since consumption is the ultim goal of our economic system, the val of human capital is the same as the va of consumption goods and services th are produced by him. Often there is controversy regarding the strategy economic planning. Should econom development be achieved mainly throu capital goods industries as attempted USSR or should economic developme be through the strategy of emphasis consumer goods industries? Tnanks Prof Mahalonobis since 1956 India appea to be following the former strategy a recent utterances of Mr D.P. Dhar ind cate that the same strategy is likely to followed during the fifth five-year Pla But the development through capital goo industries is likely to result in shorta of consumer goods as is being experien ed in India for quite some time. Wi shortages of all types of essential cons mer goods and services the developme of human skills, knowledge, talent a organisational abilities are bound suffer. The result of such a developme is that while there might be abund of physical capital, there may be adequate personnel or human skills make use of those machines. This precisely what has been happening India where physical capital goods rem unutilised to the extent of any from 30 per cent to 90 per cent. If ther fore factors of production like land a physical capital goods are to be prope and fully utilised, human factor human talent, skills and organi abilities will have to fully developed. T means that human beings must get ad quate and necessary consumption whose production must therefore adequate attention. This also means restraining consumption to accelera

ate of growth of capital formation may e self-defeating.

The author has further emphasised ow therefore proper development of uman factor is absolutely essential for ıpid economic growth. Elaborate estiıatês will have to be made of the needs f different skills and steps will have to e taken to train people in these different kills. All this will necessitate scientific anpower planning as also educational anning. If the human factor proves adequate to meet the challenges of e economic growth, everything is bound fail.

Unfortunately this human and moral mension of economic growth has come be neglected in India with disastrous nsequences. The entire fabric of society ıd administration appears to be underined by bribery, corruption and nepom and while irrigational projects are ing erected and industrial units are tablished all over the country, the owth rate is continually declining due the moral undermining of the entire ciety. At least seven ex-chief ministers states were found guilty of corruption ıd misuse of power by specially appoint- commissions! And Chanakya said ng ago, if the king steals a pie, his essenger will steal his neighbour's wife! is an indirect reflection on Indian aracter that when Mr Harold Wilson cated the prime ministership of itain, he was in debt to the extent £ 5000 while in India the most ardent llowers of Gandhiji leave behind vast rtunes after their death!

Unfortunately while Prof. S. C. Nandani has something valuable to say on e above subject, his style is extremely volved. He goes on beating about the ısh never hitting the bull's eye. But ıy way that does not diminish the value the point of view to which he has awn pointed attention. Indian society ıd government can afford to neglect this ıly at a terrible cost.

Financial Administration

Prof. D.C. Barjatiya has written his *dian Public Finance and Financial lministration* mainly for the students of e Indian Institute of Bankers, Bombay. ccording to the author since those stunts have hardly enough time to go rough standard text books on public nance, an attempt has been made in this ok to cover the entire syllabus presibed for the students.

As per the syllabus the book has been vided into three parts, namely, (i) rinciples of taxation, expenditure and borrowing, (ii) problems in Indian public finance, and (iii) Indian financial administration.

So far as the first part is concerned there is hardly anything more than what is generally found in the usual text books. The author has relied heavily on Dalton. But the advantage to the students is that he has tried to illustrate his analysis by referring to Indian conditions. Thus the analysis of Indian public finance shows that during the last 22 years the total net revenue of the union government has increased almost ten times and that there has been maximum reliance by the government on indirect taxes the proceeds of which have shot up from Rs 227.49 crores in 1950-51 to Rs 2,693.10 crores in 1972-73 (budget). An increase of 11 times is an indication of the growing importance of taxes on commodities and services in Indian public finance. Similarly yield from union excise duties has risen from Rs 67.54 crores in 1950-51 to Rs 1871.56 in 1972-73 (budget) which is an increase of 28 times. Also the yield from customs has increased from Rs 157.17 crores in 1950-51 to Rs 722 crores in 1972-73 (budget). Direct taxes have not at all shown this steep rise. Naturally reliance on indirect taxes to this extent clearly shows, according to the author, the weakness of the Indian tax structure.

widening gap

As regards state budgetary receipts, a comparison of the per capita budgetary receipts of various state governments for the years 1960-61 to 1971 reveals a significant widening of the gap between poor states and rich states over the decade. This is especially true if the resources transferred from the centre to states are excluded from the total receipts. Further, there is evidence to believe that the levelling influence of the central assistance was much stronger in 1970-71 than a decade ago, indicating a more equitable distribution of the central assistance in relation to the needs of the various state governments in 1970-71 as compared to 1960-61.

The burden of public debt, both internal and external is possibly the best part of the book. The author has well explained how even internal public debt, though when repayment takes place, only brings about transfer of incomes among people within the country, can yet mean net actual burden on society and how foreign debt, though it means payments abroad (in terms of goods and services) can yet mean a net gain to the country. Hardly any Indian book on public finance has dealt with this problem so satisfactorily.

The chapter, Indian financial administration, explaining the mechanics of budget preparation, presentation and execution as also the functions of the comptroller and auditor general of India, public accounts committee and the estimates committee is another characteristic which distinguishes this book from most other theoretical books on public finance. This part very clearly gives an idea of how a budget is prepared, presented, passed, executed and later checked in regard to its effective execution.

If the book deals with the various public financial problems at a comparatively low level of sophistication and if many of the topics dealt with appear disjointed, the author is not to be blamed because he has kept in view a particular student group for whom the book is mainly written. Even then lay readers will get from this book enough that they need to know about principles of public finance and Indian public financial problems.

Public Finance

After the publication of the first edition of his book *Public Finance in Underdeveloped Countries* nearly 10 years ago, Prof. A. R. Prest has brought out this completely revised second edition incorporating recent search and developments in the field of public finance. What is significant is that this edition concentrates on matters of public finance in its strict sense, thus excluding from the analysis such topics as debt policy, foreign aid and development plan formulation.

According to the author public finance can at one extreme "be taken to cover the general subject of central government economic planning......Another very different possibility would be to deal with purely descriptive matters—which sorts of taxes and expenditures one finds in developing countries, why the institutional arrangements differ, and so on." The author has dealt with the problems of public finance in the narrower and strictor sense of the term. Also the author has tried to examine in what ways the public finance problems in developing countries are found to differ from those in developed countries and in what important respects should public finance problems be distinguished from more general economic problems of developing countries. It is only on account of these distinguishing features that there is room for selective treatment of the problems of public finance of developing countries.

Writing about the special features of public finances of developing countries, the author is of the view that the ratio of government revenue to GDP at market prices for the years 1966 to 1968 was

18.5 per cent for twentysix developing countries as against 31.2 per cent for 17 developed countries. There is of course wide dispersion round these mean figures but nevertheless the difference would seem to be significant, both statistically and economically. On the expenditure side much smaller differences are found between the ratios of government consumption expenditure to GNP, being 12.3 per cent in developing countriees and 14.8 per cent in developed countries. According to the author "The explanation of the contrast between the revenue and expenditure data is to be found in the much greater relative importance of transfer payments in the developed countries." As regards government spending in developing countries, there seem to be three main reasons contributing to strong pressures to spend (leaving aside general price rise): The growth of population, the emergence of strong local opinions and the emergence of strong world opinions. The author has analysed every one of these pressures in fairly great detail to show how they have been influencing government spending in developing countries.

revenue composition

As regards revenue composition, according to the author developing countries differ from the advanced countries in some fairly well-known ways. First, the relative importance of consumption-based taxes is greater in the former, customarily providing about 70-80 per cent of the total tax revenue rather than 40-50 per cent. Export taxes play an important role in some developing countries. Import duties customarily account for a much larger fraction of the total revenue. As for the remaining sources of revenue, corporation taxes are less prominent in many developing countries as also the capital taxes. Also foreign aid often plays an important part in public sector financing in many developing countries. It is also noticed that there are wide fluctuations on the revenue side, naturally resulting in wide fluctuations on the expenditure side of developing countries. This is because in most developing countries public sector is looked upon as an engine of growth and its expansion is going to require increasing revenue, whereas the private sector is likely to need a lot of incentives (or at least absence of disincentives) and so public finance is bound to play an increasingly important role. Also administrative inexperience is likely to be even more of a drawback in imposing direct controls than taxes and most of these developing countries seem to have a much longer tradition of running tax systems than monetary policies. Indeed many of them have established central banks only in recent years!

Writing about income-based taxes, the author has maintained that they make a much smaller contribution to total revenue in developing than in developed countries and though the position is changing over time, the general truth of the proposition is likely to hold good for many years to come. In the light of the above trend or to confirm the above proposition, the author has analysed income-based taxes such as personal income taxation, company taxation and so on.

consumption based taxes

The author has also assessed the feasibility and desirability of financing the long term upward trend in government expenditure by various consumption-based taxes such as taxes on foreign trade, import and export taxes, excise taxes, various types of sales taxes and expenditure taxation. This is followed by the analysis of capital based taxes such as real estate taxation (especially land taxation).

As regards public expenditure issues, the author has some very pertinent things to say on the basis of the theoretical propositions and practical experience. As far as benefits go, according to him, the case for a national system of family allowances (by way of income tax relief for children etc.) seems pretty weak, unless there are some strict limits to its applicability. Further the difficulty of defining the number seeking work, the number of unemployed, etc., makes the concept of nation-wide scheme of social security in developing countries almost utopian. Inevitably such schemes can only be partial (e.g. limited only to wage earners and townsfolk) and this immediately implies that the most needy (i.e. the villagefolk and the unemployed) may not benefit from such schemes at all. On balance therefore the author feels that it would seem far better to provide floors to living standards by benefits in kind, especially in the form of basic foodstuffs and medical supplies. This would reach many of those most in need in the lowest income groups and it ought also help moderate wage demands in so far as these are influenced by prices of key items in the cost of living. This incidentally shows the hollowness of the 'Garibi Hatao' programmes of the government of India and the various state governments.

Altogether this is an excellent book which no student of public finance especially from developing countries can afford not to read. The reading of the book is bound to give him greater insight into the nature of the problem [illegible] him to suggest better policy measures [illegible] the betterment of the people and [illegible] rapid economic development of the coun[illegible]ry.

Bargaining Cooperatives

Farmers' weak bargaining position [illegible] over the world is well-known. Natur[illegible] over many years there has been a stro[illegible] emphasis on strengthening the farm[illegible] bargaining power by adopting co-oper[illegible]tive bargaining approach that will bene[illegible] them by improving their terms of tra[illegible] and therefore also their level of incom[illegible] *Bargaining Co-operatives* by A. [illegible] Bhuleshkar is primarily concerned w[illegible] the question of whether such co-oper[illegible]tives are sufficiently linked together [illegible] achieve bargaining power in the qu[illegible] freezing pea industry in Britain. T[illegible] study examines the organisation and st[illegible]ture of vining pea growers co-operati[illegible] bargaining associations and their fun[illegible]tioning. The author has also made a[illegible] attempt to give the outline of a mod[illegible] structure of a bargaining co-operati[illegible] which can be related to co-operatives [illegible] other agricultural commodities such [illegible] beans and potatoes.

According to the author the fiva pr[illegible]cipal factors that have facilitated the dev[illegible]lopment of these bargaining cooperativ[illegible] in Britain in recent years are: (1) P[illegible] growers seek to improve their bargainin[illegible] position. (2) The National Farmer[illegible] Union (NEU) gives active support [illegible] promote agricultural co-operation. [illegible] The British government gives adequa[illegible] financial encouragment to agricultu[illegible] co-operatives. (4) There is rapid grow[illegible] of the frozen food market owing to rap[illegible] technological progress. (5) Attempts a[illegible] made to introduce vertical and horizont[illegible] integration in pea sector in rece[illegible] years.

In India as in most other developin[illegible] countries agricultural marketing is in [illegible] chaotic condition due to various facto[illegible] such as absence of adequate means [illegible] communications, lack of information [illegible] market conditions, lack of holding pow[illegible] absence of financial institutions to provi[illegible] finance and above all absence of organi[illegible]tion along co-operative lines among [illegible] primary producers. Though attempts a[illegible] being made in India to organise agric[illegible]tural marketing on co-operative lines, [illegible] effect so far has been extremely negli[illegible] with the consequence that there are ext[illegible]mely wide margins between what the fi[illegible] consumer pays and what the pri[illegible] producer gets for his produce. Especi[illegible] in regard to small and petty farmers [illegible] terms of trade have hardly impro[illegible]

though the prices of what they produce have been rising since 1956.

There is therefore no doubt that this book will be of interest to all those interested in improving the lot of farmers, especially petty farmers. A. V. Bhuleshkar has studied the problem of bargaining co-operatives in Britain. If however he undertakes similar studies in respect of some important agricultural commodities produced by India's petty farmers, his efforts would be more rewarding.

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TRADE WINDS

ıssistance from Vest Germany

NDIA RECENTLY signed an greement with West Germany nder which it will receive ntied credits totalling DM 310 illion including debt relief of)M 140 million. At the curent rate of exchange this mounts to Rs 95.79 crores. he credits can be used to buy oods and services from any art of the world. DM 80 illion will be available for nport of commodities and ervices; DM 20 million for nports approved by the Indian nter-ministerial committee for apital goods; DM 50 million or projects to be mutually elected; and DM 20 million or granting loans to small and edium undertakings by the FC, ICICI and the National mall Industries Corporation. f the total aid, DM 190 milon will be repayable in 30 ears, including a grace period f ten years, carrying a two er cent per annum rate of iterest. The debt reschedulig loan of DM 98 million is epayable in 20 years, includig a grace period of seven ears, and carries a three per ent per annum rate of interest. he amount of DM 22 million owards reduction of interest ayments falling due between pril 1, 1973 and March 31, 974, will be extended as a rant. West Germany had ledged assistance totalling)M 310 million for the year 973-74 at the consortium eeting in June.

ritish Loan for Koyali

Arrangements were comleted recently for allocating 4.1 million (Rs 7.8 crores) of ritish loan funds for the consuction of a naphtha steam acking plant at Koyali, Gujarat. This was done through an exchange of letters between Mr P.J.E. Male, minister in the British High Commission, and Mr. M. Narasimhan, additional, secretary, Department of Economic Affairs, union ministry of Finance. The naphtha steam cracking plant will be part of the petrochemicals complex sponsored by the Indian Petrochemicals Corporation Ltd. Local costs are being met by the Indian government and other aid donors are contributting to the provision of foreign exchange for other units of the complex. The British loan, which is interest-free, will be repayable over 25 years, with a seven-year grace period. The plant will produce 450.000 tonnes of naphtha a year, which will be used in the manufacture of intermediate chemicals and synthetic products. The wider availability of petrochemical products will make it possible for Indian industry to undertake the production of items which hitherto it has been unable to manufacture because of the necessity to import essential inputs. The plant will thus contribute to India's overall industrial development. The contractors for the design and consturction of the naphtha cracker plant are Messrs Lummus Co. Ltd.

Curbs on Deposits

The Reserve Bank of India has directed that from September 1 no "miscellaneous non-banking company" can accept short term deposits (or subscriptions whether directly or through sale of certificates or other instruments) of less than six months' duration. The directions issued recently further stated that the total of deposits (or subscriptions) of more than six months duration should not exceed 25 per cent of the aggregate of a company's paid-up capital and free reserves reduced by the accumulated balance of loss, if any. Subscriptions accepted by genuine chit fund companies are, however, excluded from the definiton of "deposits".

Export Duty on Jute Reduced

The export duty on hessian has been reduced from Rs 600 per tonne to Rs 200 per tonne with effect from August 28, 1973. Simulaneously, the export duty on sacking (cloth and bags) has been abolished. These changes in duty have been made in order to improve the competitive position of these goods in the international markets.

Tariff Value for Woollen Yarn

The union government has revised the current tariff values for woollen yarn with effect from September 1, 1973. Simultaneously, certain changes have been made in the effective rates of excise duty on pure and blended woollen yarn. Partial exemption from excise duty granted to wooltops has also been withdrawn. All these changes take effect from September 1, 1973.

Wage Revision for Electricity Employees

The union government has constituted a committee to formulate guidelines for the conduct of bipartite negotiations between the labour unions and the state electricity boards and other employers for revision of wages, fringe benefits, perquisites and other conditions of service to the electricity employees. The committee consists of representatives of the electricity Undertakings, Labour Unions and ministries of Irrigation & Power and Labour & Rehabilitation. This has been done in pursuance of the conclusions reached at the Tripartite Committee meeting held recently under the chairmanship of the union Labour minister Mr K.V. Raghunatha Reddy, to consider the demand for wage revision of the electricity employees. Mr T. S [illegible] ran, Joint Secretary, mi[illegible] of Labour and Rehabili[illegible] will act as the convener of [illegible] committee.

Sugar Production

Sugar production increase by 745,000 tonnes upto Augu 15, 1973. The total prod[illegible] of sugar upto middle of Aug[illegible] this year was 3,816,000 t[illegible] as against 3,071,000 t[illegible] during the correspond[illegible] period last year. Despatche of sugar during the per[illegible] were 3.08 million tonnes a against against 3.44 milli[illegible] tonnes during the correspondi period last year. The stocks of sugar on August 15, 1973 wit the factories were 1.33 millio tonnes as against 1.04 millio tonnes on the same date la year. Eight sugar factories wer reported to be in productio on August 22, 1973 as again six factories during the corresponding period last year.

Fifch Plan Power Targe

The union ministry of Irr gation and Power had recentl reviewed the power genera tion programme and ha concluded that it was e sential to plan for augmentin the installed generating cap city in the country to abo 40 million KW by 1978-79 t ensure power supply with "a acceptable degree of reliabili and quality", Dr. K. L. Ra minister for Irrigation an Power told the Members of th Consultative Committee of Pa liament attached to his mini try recenty. Dr Rao stat that for increasing the install generating capacity to 38 m lion KW at the end of the fif Plan had been drawn up as immediate objective for imp mentation. This programm indentified power generati schemes which would yi benefits during the fifth P to the extent of 18.28 mill KW and the funds required f them and also their status.

Out of the schemes iden fied by the ministry of Irri tion and Power, schemes w an installed capacity of ab 11.8 million KW were eit already under construction had been authorised for co truction. Other schem es wi total installed capacity of

ion KW were yet to be red for construction. Neces- action was being taken rocess schemes for sanction he Planning Commission.

pan Raises Bank Rate

The Bank of Japan recently ed ·its official discount rate n six to seven per cent.

urism in the USA

The successive devaluations the US dollar offer "the natic opportunity to advan- apidly in the international ism market place", stated Charles C. Tillinghast, Jr., irman of Trans World Air- s. He made this statement United States senate com- ee which is considering mmendations of a presi- ial commission for the lopment of tourism as a force in the US econemy. ng a 24 per cent increase year in travel to the US overseas, Mr Charles C. nghast, Jr. pointed out this was the time "to ad the word that the US longer a high cost desti- nation" for the world's tourist.

Air Travel Between Asia and Europe

Air Travel between Asia and Europe has been growing at more than twice the world-wide average rate, according to latest airline statistics. For June 1973, Air France reported a 39.1 per cent increase from the passenger flight volume recorded for June last year. This compares with an average 17.6 per cent gain for the air-line's worldwide passenger flight network.

Refresher Course for Professors

The ICICI has arranged with the Institute for Financial Management and Research for providing a refresher pro-gramme in finance for college professors all over India. The objective of the programme is to enable college professors to obtain a closer view of the operations of local capital and money markets so as to improve the imparting of teaching in corporate financing. As a first step in this direction, IFMR will conduct six pro-grammes in metropolitan towns in India, commencing October 1973. These programme will cover colleges in universities spread in states all over India. In the last few years many developments have taken place in the field of international finance and development bank-ing It is expected that a refre-sher programme of the kind proposed would help to bring into focus these developments and enable the professors attending the cource to provide more in-depth training to the students.

Indo-Sudan Trade

India has agreed to resume shipment of tea to Sudan. At the Indo-Sudanese trade talks which concluded on August 27, Sudan also agreed to export to India coarse grains and oilseeds immediately besides the tradi-tional items such as cotton, gum arabica, and hides and skin. Trade between the two coun-tries had recently come to a halt due to certain payment problems. An agreement to this effect was signed between Mr Farouk Ibrahim El Magboul, Sudanese Commis-sioner General for Development and Mr Mohammed Yunus, Secretary (Internal Trade) Ministry of Commerce. The two delegations are under-stood to have agreed an certain modalities as per the scheme of "technical credit" which they had agreed to introduce from August 1.

State Loans

The subscription lists of all the 20 state governments loans for a total amount of Rs. 149.75 crores, which opened on August 27, were closed by 2.30 p.m. on the same day on being fully subscribed. Accor-ding to a Reserve Bank's an-nouncement the loan of Jammu and Kashmir was the first to be closed at 11.30 a.m. follow-ed by Maharashtra and Guja-rat at 12 noon. Loans of all the states are at par for a 12-year period carrying an interest of 5.75 per cent. Since all the

loans are fully subscribed, the total receipts will be about Rs 164.72 crores on the basis of 10 per cent excess subscription.

Tobacco Board

The union cabinet recently decided to set up a tobacco board, which will be responsible for its coordinated development, production and distribution. This decision meets the long standing demand of tobacco growers, particularly of Andhra Pradesh. It hase not yet been decided whether this autonomous board will be required to handle export of tobacco export or not.

Committee for Coal

The union government has approved the setting up of the Joint Bipartite Negotiating Committee for the coal industry as a whole. The committee will consist of the representatives of workers and the managements of the coal producing companies. The workers' representatives will be Indian National Trade Union Congress 6, All India Trade Union Congress 3, Hind Mazdoor Sabha 2 and Centre of Indian Trade Unions 1. The management side will consist of the representatives of the Coal Mines Authority Limited (including National Coal Development Corporation Limited), Bharat Coking Coal Ltd, Singarent Collieries Company Ltd, Tata Iron & Steel Company Ltd and the Indian Iron & Steel Company Ltd. The committee will decide its own terms of reference for conducting negotiations for a final settlement on the wage structure as also other conditions of service in the coal industry. The committee should complete its work within a period of six months.

Names in the News

Dr. G. T. Verghese has been appointed as factory director, Firestone Tyre & Rubber Co. of India, Private Ltd. Till recently director & production manager, he succeeds **Mr W. T. Martin**. Dr Verghese, who joined Firestone-India in 1954, has held varied assignments in the area of production. A doctorate in Rubber Chemistry and Technology, he is also a Fellow of the Institution of Rubber Industry, London, and a Corporate Member of the British Institute of Management. He has also actively conducted research in various fields of chemistry and rubber technology at Indian Institute of Scie Bangalore as well as the Im rial Institute and Impe College, London.

Mr N. S. Bhat, Chai and Managing Director Binny Ltd, Madras, has b appointed alternate Presi of the Associated Chambe Commerce & Industry India (ASSOCHAM), through their consti chambers represent about companies all over India. served as deputy Preside ASSOCHAM in 1972-73, is the past chairman Madras Chamber of Comm & Industry and a memb the Bonus Review Commi He is also a member Executive Committee of Employers' Federation India.

COMPANY AFFAIRS

Gwalior Rayon Completes Twenty-five

The Twenty-sixth annual report and the audited accounts for the year ended 31st March 1973 of the Gwalior Rayon Silk Mfg. (Wvg.) Co. Limited bring out vividly how even the profitability of industrial enterprises of very much more than average efficiency is being squeezed by rising raw material, wage and other costs. The company was able to produce 63,200 tonnes of rayon grade pulp in 1972-73 as against only 42,500 tonnes in the previous year. It could also step up its production of staple fibre from ...200 tonnes in the previous year to 69,000 tonnes in 1972-73. This improved performance was reflected in the total turnover, which amounted to Rs 77.37 crores during the year under review as compared with the turnover of Rs 63.71 crores in the earlier year. Nevertheless, the profit before taxation declined sharply from Rs 642.76 lakhs to Rs 472.42 lakhs and the net profit from Rs 250.76 lakhs to Rs 159.42 lakhs. Larger allocations however have been made for Depreciation and Development Rebate Reserve. The directors have also mentioned that, in view of the crucial need for providing adequate finance for replacement and modernisation, they have provided one crore out of the profits for the year under review and another Rs one crore by way of transfer from General Reserve towards additional replacement costs on an annual basis. It may be recalled that the company had made a similar special provision in its financial year 1969-70.

The directors have recommended a dividend on equity shares at the rate of Rs 2.25 per share (Rs 1.90) claiming Rs 148.50 lakhs (125.40 lakhs). The dividends on Preference Shares of series 'A' and 'C' at the rate of 9.3 per cent per annum in both cases absorb Rs 13.79 lakhs and Rs 18.60 lakhs respectively.

Referring to the difficulties experienced by the company in securing sufficient supplies of pulp-wood for its plant in Mavoor in Kerala, the report suggests that, unless a forest-oriented policy is formulated by the central government on an all-India basis to allocate pulp-wood from surplus states to industries in the deficit states, the overall development of the pulp and paper industries in the country is bound to suffer. After referring to the fact that the government had introduced in January 1973 statutory control on the distribution of staple fibre because of the shortage of cellulosic fibre in the country the report pleads that an upward revision in the selling price of staple fibre has become imperative since rayon grade pulp, which is the main raw material for staple fibre, has become much more costly to manufacture.

Reporting progress in the Engineering Division of the company, the directors state that work on the fabrication and supplies of complete plant, machinery and equipment for a 20-tonne/day staple fibre production facility, to be installed by South India Viscose Limited, is in full swing and that the manufacture of a major part of the machinery and equipment has been completed. This Division, again, has successfully tendered for the supply of a staple fibre plant to Thailand against other global bids. Since the Thai order is being placed on the condition that Gwalior Rayon participates in the equity of the proposed foreign company, the government of India is being moved for necessary permission. Gwalior Rayon will be required to supply process know-how to the Thai project for a period of seven years.

In an interesting note on the Chemical Division the directors record with satisfaction the erection of the caustic soda plant within the scheduled time of 15 months from the start of civil works despite delays in the delivery of imported or local equipment. The plant achieved its full capacity of 12,500 tonnes within three months from the date of commissioning.

The report includes a pleasingly produced illustrated section on the growth of the company over a period of 25 years. Mr Krishnaraj M.D. Thackersey, a veteran industrialist and a director of the company, in his Foreword to this section, pays deserved tribute to 'this dynamic organization' for its 'contribution towards self-sufficiency, strengthening the country's economy by paying ever increasing annual taxes, savings of substantial amount of foreign exchange and offering direct and indirect employment to thousands and payment of substantial dividends to its shareholders." Mr Thackersey says that he is confident that this company would 'continue to contribute further to the prosperity of our nation in times to come." This, however, would depend on the willingness of the government to take a realistic view of the national importance of existing capacity being utilised to the maximum as well as adopt a helpful attitude towards the potential capacity of the leading enterprises in the private sector to generate more and more investment, employment and production through setting up new industries or otherwise diversifying their manufacturing activities.

Poysha

Poysha Industrial Company Ltd has entered into a technical collaboration agreement with the American Can Company effective from January 1, 1973. The company will now keep in touch with the latest advances in foreign technology and introduce them in its own operations as and when feasible. Discussions are also under way for the creation of a full fledged research and development wing which should bear fruit in the near future. Negotiations are also in progress for the setting up of units in West Bengal and Tamil Nadu. These observations are contained in the Chairman Mr M.R. Ruia's review surveying the overall performance of the company during 1972-73.

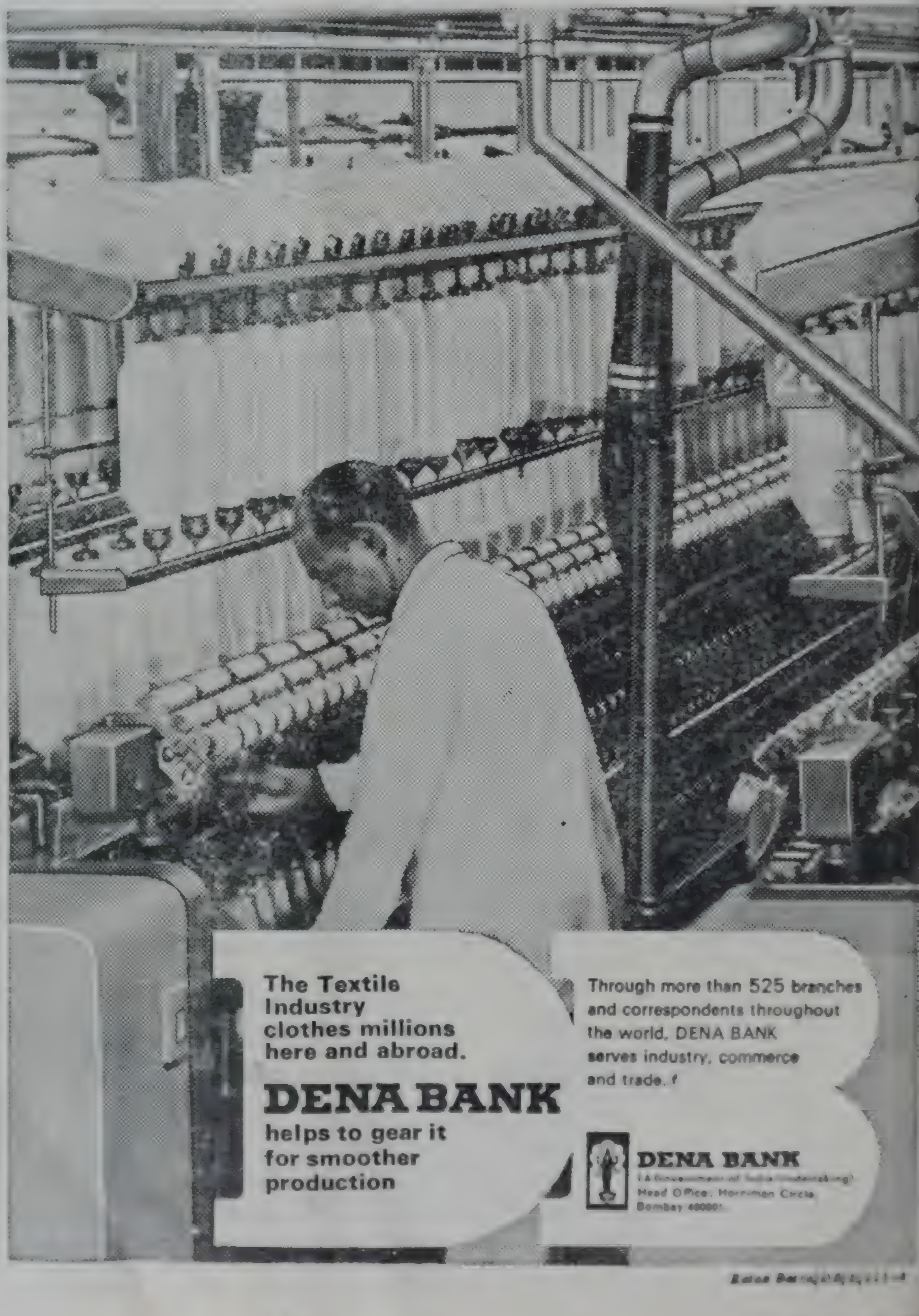
The chairman mounted a bitter attack on the government for its indifferent and callous attitude towards the food processing industry. It has rightly been said by the President of the All India Food Preservers Association that this industry could be used to serve a multitude of objects such as diversification of agriculture, increase in employment opportunities, expansion of exports, improvement of nutrition and for the creation of strategic food supply for defence. It will also go a long way in stabilising prices and create a reserve for distribution in times of emergencies. Even the USSR which process 15 per cent of the food has entered into a three-year collaboration agreement with American Can Company for large scale expansion of the industry. It is indeed a pity that as against 25 per cent of food processed in Japan and Israel, 30 per cent in Australia and 40 per

nt in the UK ours is still as
w as 0.5 per cent. Consider-
g our chemically made-
uate food resources and ex-
nsive growth in population
is hoped that the govern-
ent will pay immediate at-
ntion to improve and ex-
and the food processing in-
ustry.

The company's entire group
ales, excluding excise, in
972-73 were up by Rs 58.40
khs to Rs 1047.69 lakhs.
oysha's sales also went up
om Rs 704 lakhs to Rs
73.82 lakhs. But the increases
ere due to higher costs of
nplate and consequently of
n containers and not due to
gher production. Non avail-
bility of tinplate, unwilling-
ess of clients to pay higher
rices for the containers and
some extent the power res-
ictions and strike at Gha-
abad unit and the power
ut at Thana, have all con-
ibuted to the marginal fall
t production. Its subsidiary
aira Can Company has been
llowed for doubling its capa-
ity to 30 million cans per
nnum and also to start manu-
acture of battery jackets and
omponents. Its new subsi-
iary, Industrial Factors, has
lso commenced production
f composite cans.

Hindustan Dowidat

Hindustan Dowidat Tools
td has reported considerable
mprovement in its working
esults for the year ended
March 31, 1973. During the
ear its net turnover went up
eeply from Rs 114.37 lakhs
Rs 148.94 lakhs while its
ross profit recorded a sharp
se to Rs 19.81 lakhs from
s 5.69 lakhs in 1971-72.
After appropriating Rs 3.83
akhs to depreciation reserve,
s 3.00 lakhs to development
ebate reserve, Rs 1.85 lakhs
or bonus to staff, Rs 0.54
kh for gratuity and Rs 0.61
kh for managerial remune-
ation, the company's net pro-
t amounted to Rs 9.97 lakhs
s compared to a mere Rs
53 lakh in the preceding
ear. The results would have
een more impressive but for
evere power cuts which went
p to as high as 60 per cent.
But the timely decision to
nstall generating set helped
the company to overcome the power shortage to a very significant extent. Two more generating sets have also been purchased recently by the company to safeguard against future power bottlenecks. The directors have recommended to pay arrears of dividend on preference shares for 1970-71 and 1971-72 and also for 1972-73 absorbing Rs 1.425 lakhs and it will be paid out of the general reserve. Considering the payment of arrears of preference dividend during the year under review and keeping in view the insufficient amount of profits after adjustment of past losses and outstanding provision for development rebate reserve, the directors have decided to sk[ip] the dividend on equity shares. The directors, however, are optimistic about the prospects of payment of equity dividend for the current yea[r]. The company continued to maintain its position as on[e] of the major exporters o[f] hand tools, its export earn[-]ings during 1972-73 being



he order of Rs 80.65 lakhs. Once again the company had he distinction of being warded the export merit certificate for outstanding export performance during 971-72. Meanwhile the company has received a letter of ntent from the government or 'expanding the capacity of nished hand tools from 1080 onnes to 2400 tonnes per anum.

HEL and HE(I)L

While addressing the annual general meeting of Bhaat Heavy Electricals Ltd and eavy Electricals (India) Ltd, e Chairman and Managing irector, Mr V. Krishnamurhy exploded the myth that e prices of indigenous equipent are far higher than those imported ones. This he has roved convincingly with cts and figures in respect equipments manufactured the company. A deal was oncluded recently, Mr Krishamurthy said, with a renowd foreign supplier for imort of two numbers of 27.5 Mw of hydroturbines and generators. The landed cost of this equipment is Rs 600 per kilowatt of turbines and generators and Rs 750 per kilowatt inclusive of valve. As against this the prices for comparable hydro equipment of the company are Rs 245 per KW for Obra, Rs 203 per KW for Ukai, Rs 240 per KW for Kalinadi and Rs 250 per KW for Koyna. The company's most recent quotation for Pench Hydro Electric Scheme is Rs 550 per KW. For Subernarekha the company has quoted less than Rs 400 per kilowatt. Prices being quoted for 120 MW sets or 110 MW sets to thermal stations in India are lower than the prices at which Singapore and Malaysia ordered from other manufacturers after a global bid.

Mr Krishnamurthy fully justified the import of turbo sets in the context of the recent power crisis. But any decision for importing a generating set, in his opinion, could only be taken after the equipment available locally are fully explored. Even the conservative estimate of the Committee of Power Ministers have placed the indigenous availability at 15,100 MW. As against this, the orders with BHEL/HE(I)L as on April 1973 was only 10,500 MW against the fifth plan targets. There is thus still over 4500 MW of production from indigenous plants yet to be tied.

A scheme for reorientation of commercial and design departments is under way. Efforts are being made to keep constant touch with state electricity boards, CWPC and other industries so that timely supplies of equipment to the required specifications can be made. A full fledged R & D unit has also been recently set up to keep itself fully abreast with the latest developments. The efforts of this unit will be devoted to sandardise and simplify the designs of its products so as to make them economical, easy of maintenance and operation. Moreover the BHEL has established a spare parts and service unit so as to provide specialised service to state electricity boards.

BHEL has reported encouraging progress during 1972-73. Its production jumped by 40 per cent while its sales leaped by about 82 per cent over last year. The total value of production of the three units of BHEL went up to Rs 84.2 crores in 1972-73, from Rs 60.3 crores in the preceding year. Its profits amounted to Rs 8.2 crores as against Rs 3.19 crores in 1971-72. The balance of Rs 7.3 crores of accumulated losses is expected to be wiped out during 1973-74. HE(I)L too has fared extremely well during 1972-73. Its production went up from Rs 42.4 crores to Rs 56.8 crores, recording an increase of 34 per cent over 1971-72. Its profit for 1972-73 was of the order of Rs 5.08 crores. It delivered during the year generating equip-

ent to a capacity of 450 MW to its various customers

Tata Exports

During the first quarter of the current financial year Tata Exports registered an increase of over 70 per cent in its overseas sales over the corresponding period last year. The gross export turnover from April-June, 1973 amounted to about Rs 5 crores compared to Rs 2.8 crores during the same period last year. The increase was mainly in the field of textiles and garments and engineering products. For the third consecutive year, Tata Exports has been declared winner of the National Award for its outstanding performance during 1969-70 when its total overseas sales amounted to Rs 23.14 crores. Tata Exports has also won the Challenge Trophy of the Engineering Export Promotion Council for the largest engineering exports for 1971-72 valued at nearly Rs 9 crores. Tata Exports also headed the list in the Export House Panel.

News and Notes

(Expansion and diversification)

Dhrangadhra Chemical Works Ltd has carried out a survey of the availability of limestone and its transport to the factory site. The company has applied for increasing the licensed capacity of soda ash and soda bicarb to 65,000 tonnes and 7200 tonnes per annum respectively. The management is also undertaking simultaneously replacement and rehabilitation of its machinery and it is planning to implement this scheme in a phased manner. Negotiations with financial institutions are in progress. The government has extended the period of letter of intent for manufacturing bromine. The company is still exploring the possibility of securing know-how indigenously. If no satisfactory know-how is available the company intends approaching the government for allowing foreign consultancy.

New Issues

German Remedies Ltd is issuing 330,000 equity shares of Rs 10 each at a premium of Rs 3 per share. Out of this 31,007 equity shares at Rs 13 per share are offered to those members who are Indian residents as on August 17, 1973 and 8,993 equity shares at Rs 13 per share to the Indian employees of the company. The remaining 290,000 equity shares of Rs 10 each at a premium of Rs 3 per share are now offered to the public for subscription. The entire amount of Rs 13 per share is payable on application. The subscription list for this fully underwritten issue opens on September 10 and will close on September 17 or earlier but not before September 14. It is at present manufacturing a wide range of fine chemicals and pharmaceuticals in collaboration with well known West German firms.

The company's impressive growth can be attributed largely to the technical assistance received from these reputed foreign collaborators and also to the high quality of its products. It had received recently industrial licences and letters of intent for the manufacture of certain new pharmaceutical products and essential drugs as well as for the expansion of its existing facilities. Its turnover which had steadily increased from Rs 1.87 crores in 1968 to Rs 4.26 crores in 1972 is expected to cross the Rs 10 crore mark in the next four years on which it is expected to earn a profit of Rs 90 lakhs. In 1973 the directors are hopeful of maintaining the dividend of 12.5 per cent on the increased capital. After the present issue, the foreign holding in the equity capital of the company will be reduced from 69 per cent to 39 per cent.

Uni Abex Alloy Products Ltd is establishing a plant for the production of centrifugally cast alloy steel tubes and high alloy steel castings in collaboration with Abex Corporation of the USA, a concern of international repute. The company holds an industrial licence for manufacturing with a capacity of 500 tonnes of centrifugally cast alloy steel tubes and 500 tonnes of high alloy steel castings. These highly specialised heat and corrosion resistant castings and reformer tubes will be required for the development of important industries such as fertilizer, chemical, petro chemical, iron ore pellestisation, furnace, locomotive, cement and several other defence oriented industries. The factory located at Thana is expected to be completed by October 1973 and commercial production is anticipated to commence by April-May 1974. To meet a part of the cost of the project the company is offering 378,700 equity shares of Rs 10 each and 25,000 (9.5 per cent) redeemable cumulative preference shares of Rs 100 each to the public for subscription for cash at par. The list opened on September 4 and will close on September 14 or earlier but not before september 8. The capital outlay on the project is estimated at Rs 200.20 lakhs and it will be financed by the share capital of Rs 100 lakhs and term loans of ...

Sona Automobile Industr... will be entering the cap... market some time in Octo... by offering to the public f... subscription equity ... worth Rs 12 lakhs. The com... pany is setting up a fac... at Sonagram in Madhya Pr... desh for manufacture of ... scooters, three wheeler ... senger car. The ... plant will have an ... capacity of 3500 vehi... Starting with 1500 vehicles the first year, the full capac... will be reached in the ... year. The indigenously des... ed three wheeler car will ha... a sitting capacity for ... persons and it is claimed ... the vehicle will be manuf... tured entirely from indi... nous materials. The vehi... will be priced around Rs ... and is expected to be pla... in the market by the end... 1974 or by the beginning... 1975. The project is estima... to cost Rs 1.10 crores. It ... be financed by the share ... pital of Rs 20 lakhs and ... balance through loans fr... financial institutions.

Dividends

(Per ce...

Name of the company	Year ended	Equity dividend declared: Current year	Previous year
Higher Dividends			
Laxmi Mills Co.	March 31, 1973	15.0	10.0
Sutlej Cotton Mills	March 31, 1973	20.0	15.0
Phoenix Mills	March 31, 1973	12.0	8.0
Sivananda Steels	March 31, 1973	7.5+	Nil
Same Dividend			
Jubilee Mills	June 30, 1973	10.0	10...
Harinagar Sugar Mills	September 30, 1972	30.0	30...
Cochin Malabar Estates	February 28, 1973	18.0	18...
Bishnauth Tea Co.	December 31, 1972	10.0	10...
Kemp and Company	March 31, 1973	5.0	5...
Indian Steel Rolling Mills	March 31, 1973	10.0	10...
National Electrical Industries	March 31, 1973	Nil	N...
Star Paper Mills	March 31, 1973	10.0	10...

+Maiden dividend

HINDUSTAN STEELWORKS CONSTRUCTION LIMITED

CHAIRMAN'S SPEECH

Speech delivered by Shri R. S. Gahlowt, Chairman at the Ninth Annual General meeting of the company held on 4th September, 1973 at New Delhi.

Shri R. S. Gahlowt

ntlemen,

I have great pleasure in wel-ming you to the 9th Annual eneral meeting of the Com-ny this afternoon. Audited counts of the Company have eady been circulated and I ke it as read.

India is passing through ry difficult times. The sud-h and sad demise of Shri S. ohan Kumaramangalam, nion Minister of Steel & ines, a person of eminence d dynamic leadership, has en irreparable loss to the untry at this juncture. His tronage and encouragement ve been a great source of spiration to the nation and ore so to us. We have to ar the loss of the illustrious n with heavy heart but his eals will continue to guide

Formation of Steel Authori-of India, during the year has en a major event in the onomic development pro-amme of the country as steel s to play a very important le. Your company is a sub-liary of SAIL which would ean our much greater involve-ent and contribution in the el sector.

The year 1972-73 will go wn in the history of this mpany when a record turn-er of over Rs. 50 crores—a re achievement—for any cons-uction contracting Company, is reached. This is more ectacular in the background Company's turnover of Rs crores during 1967-68 which s increased to turnover of 50.37 crores during 1972- —twelve fold increase over e last five years during which ur company has been able to ver a wide range of specia-ations in steel plant construc-on which include erection of Equipment, Technological structures, Electrical installa-tions, Refractories besides Civil Engineering and steel structures with which a start had been made. The year is further marked with the commission-ing of First Blast Furnace Complex by Smt. Indira Gandhi, our Prime Minister, on 3rd Oct. 1972. This has brought Bokaro on steel map of the country.

It is a matter of pride that your Company has emerged as a PACE SETTER in the cons-truction industry. This devol-ves a very heavy responsibility on the company because cons-truction consumes nearly 50% of National Plan expenditure and your Company's contribu-tion to economies in construc-tion would go a long way to help the growth of country's economy. You will be glad to note that the Company's per-formance at Bokaro has receiv-ed recognition from the Government.

Outside India, we have par-ticipated in the Tenders for set-ting up Semi-integrated Steel Plant in Iraq where our offer is under active consideration. We have also been invited by the State Construction Contracting Company of Iraq to provide technical assistance in certain specialized fields like Design and construction of Bridges, pre-stressed concrete works, R.C.C. Silos and Piling works. The SCCCO of Iraq have invi-ted HSCL for joint venture for works in the specialised fields.

H.S.C.L. has been accepted by the Government as the principal construction agency for steel plant construction which would include expansion of the existing ones in the pub-lic sector as well as the New Steel Plants.

Steel plant construction is full of complex problems both on account of large volumes as well as nature of construction. The magnitude can be judged from the figures for Bokaro up-to 31st March, 73. Cumula-tive progress upto 31-3-1973.—

Civil Engineering:		
Earth work Stage I	..	1,29,72,285 Cu. M.
do Stage II	..	7,61,514 Cu. M.
Controlled Fill	..	52,66,000 Cu. M.
Concreting Stage I	..	18,21,319 Cu. M.
do Stage II	..	46,847 Cu. M.
Under ground communication		2,82,377 M.
Road works	..	1,84,319 M2
Railway tracks	..	155 Kms
Steel Structurals:		
Fabrication	..	1,59,968 M.T.
Erection	..	1,43,457 M.T.
Equipment Erection including electrical installations	..	50,920 M.T.
Refractories	..	32,103 M.T.

These achievements are marked with a record pace of concreting of 54,000 Cu.M. a month at peak period with continuous concrete mass pours upto 10,000 Cu.M. each a number of heavy Equipment foundations.

As brought out in the Direc-tors report, the Company has created a number of records at Bokaro, we have since been as-sociated with the work of DALLI MECHANISED MINES, SECOND SINTER-ING PLANT and 8th COKE OVEN BATTERY at Bhilai where during the year under report, BORIDIH DAM was completed in record time. We are now getting organised for meeting the challenge for BHILAI'S EXPANSION to 4 million tonnes which would come up practically at the same time as BOKARO EXPANSION to 4 million tonnes. For meeting the re-quirements of both these giant units simultaneously, our efforts and resources have to be doubled. This having been achieved, the Company would be well set for the construction of the three New Steel Plants at SALEM, VISAKHAPAT-NAM and VIJAYANAGAR, the last two of which would each be of more than 2 Million tonnes capacity in the first phase itself. Recently we have been associated with the work of Durgapur Steel Plant and it is hoped that as and when expansion works at DURGA-PUR and ROURKELA come up, we would be fully involv-ed.

Outside steel sector we are proud of having been asso-ciated with a good number of projects namely, INDIAN TELEPHONE INDUSTRIES both the factories at Naini and SWITCHING FAC-TORY at Rae-Bareli, ZIRCA-LOY FABRICATION PLANT of Bhabha Atomic Research Centre and SECOND HIN-

...STAN CABLES FAC-...ORY at Hyderabad, BHA-...AT PUMPS & COMPRES-...ORS PLANT at Naini, Allaha-...ad, N M D.C. IRON ORE ...EPOSIT at Bailadila, Bokaro ...eel LIME STONE QUARRY ... Bhawanathpur, BHARAT ...LUMINIUM CO. SMELTER ... Korba, DRY DOCK of ...arden Reach Workshop at ...alcutta, works of CENTRAL ...NLAND WATER TRANS-...ORT CORPORATION at ...alcutta, and INDIAN OIL ...ORPORATION REFINERY ...t Haldia, construction of ...RAIN SILOS of Food Cor-...oration of India at Delhi, ...DMC DOME construction ...& J. K. COLD STORAGE ...nd other multistoreyed build-...ngs in Delhi, COAL HANDL-...NG PLANT of Haryana Elec-...ricity Board at Faridabad, ...COOTER FACTORY at ...ucknow.

There is a growing demand ...on us for taking up even the ...TOWNSHIP CONSTRUC-...TION. At Bokaro alone we ...are constructing more than ...10,000 houses. Also the town-...ship works at Bhawanathpur as ...vell as at Vizag of Bharat Heavy ...Plates & Vessels Ltd. and ...Bharat Aluminium township at ...Korba besides I.T.I. town-...ship have been entrusted to ...us.

Our Specialisations:

Steel plant construction covers wide range of specialisation covering practically all facets of construction engineering where we have already developed a high degree of expertise in Civil Engineering Works, Steel Structures including erection of Steel Melting Complex consisting of Smelters, Oxygen plant etc. Erection of Blast Furnace units, Electrical installations, Cable network, Erection of Equipment for the Rolling Mills, for the Strip Mills and Hot Coil Finishing Section and Refractories Lining works of Steel Plants. Outside steel plants, we have specialisation in:—

(a) Design and construction of Br dges including pre-stressed concrete works.

(b) Construction of Dams and Reservoirs.

(c) Dock and harbour Engineering works which include the design and construction of Dry Dock works of Garden Reach Workshops.

(d) Construction of R.C.C. Silos.

We are now out to enter the fields in (i) Piling-having already made a start on the Piling work of Second Hooghly Crossing, (ii) Erection of Power Plants where the works relating to the erection of Boilers for Talcher Unit of Fertiliser Corporation and Gandhinagar Power House are to be undertaken by us in Collaboration with Bharat Heavy Electricals Ltd. who are the Principal Suppliers of Equipment. Besides erection of Equipments, Power House across. Kalindi in Mysore State is also being awarded to us. In fact, our participation as Principal construction agency for the installation of Thermal Power Plants in association with Bharat Heavy Electricals Ltd. and Indian Consortium for Power Project, is under consideration of Govt. of India.

Your Company stands for quality, speed with economy in construction cost. By and large good industrial relations in a Company dealing with over 65,000 workers of which nearly 20,000 are on the Company's pay rolls, another 25,000 on piece rate work basis, has contributed to our growth.

The total value of contracts entered into as on 31st March, 73 was Rs. 281 crores besides works costing Rs. 28 crores having already been awarded. In addition further negotiations for works of a total value of approx. 15 crores are in progress and expected work load for Bhilai expansion and Salem Steel Project would be of the order over Rs. 100 crores. These are exclusive of our offer for works in Iraq. Against the above, our total expenditure so far has been of the order of Rs. 198 crores approx.

The encouragement given by the Ministry of Steel & Mines, Ministry of Heavy Industries, Ministry of Industrial Development and others, the assistance we are getting from the State Governments of Bihar, West Bengal, Uttar Pradesh, Madhya Pradesh, Tamil Nadu, Mysore and Andhra Pradesh, are gratefully acknowledged. We are also grateful to Bokaro Steel Limited, Hindustan Steel Ltd. and their Consultants and all ... Govt. of India Undertak... with which we are so clo... associated.

I am personally grateful t... the Chairman, S A I L for ... the guidance and ass... being received.

I am personally indebted t... all the Directors on the B... without whose support ... active co-operation, it wo... not have been possible f... me to shoulder the ... responsibilities of the oner... job of this undertaking c... mitted to establishing n... tradition in the CONSTRUC-TION INDUSTRY.

Your Directors have recom-mended a DIVIDEND of 20... as in the previous year.

Also keeping in view t... performance during the yea... an EXGRATIA PAYMEN... of 20% to all the employee... including daily rated worker... has been sanctioned.

In the end I would like t... thank all the employees an... workers of the Compan... through whose devotion an... efforts the Company continue... to grow.

NOTE: This does not pu... port to be a recor... of the proceedin... of the Annual Gen... ral Meeting.

UNIT TRUST OF INDIA

Statement by Shri J. S. RAJ, CHAIRMAN,

Unit Trust of India, on the Operations of the Trust for the Year Ended June 30, 1973 (Abridged)

The Unit Trust of India ›mpleted its ninth year of ›erations as on June 30, ›73. The Board of Trustees ›ve, as usual, desired me to ›esent this report giving the ›lient features of the Trust's ›perations during the year ›72-73.

›NIT SCHEME 1964

› The year 1972-73 may › regarded as the best year ›r the Trust since the com›encement of its operations › July 1964. The sale of ›nits which had declined from ›e peak level of Rs 22.83 ›rores in 1969-70 to Rs 18.00 ›rores in 1970-71 and Rs ›5.08 crores in 1971-72 reach›d a new high at Rs 23.04 ›rores in 1972-73. The signi›cant increase in sales in ›972-73 largely reflected the ›ccess of the three-pronged ›ales promotion drive initia›d by the Trust, that is, (1) a ›ep-up in the dividend from ›.0% for 1970-71 to 8.25% ›r 1971-72, (2) a lowering ›f the special offer price ›uring July 1972 to Rs 10.40 ›s compared with Rs 10.60 › July last year, and (3) a ›eduction in the margin from ›0 paise to 30 paise between ›he selling and repurchase ›rices of units. Sales during ›972-73 were made under ›2,209 applications as com›ared with the sales during ›971-72 under 61,405 appli›ations.

›. Sales of units under the ›einvestment Plan increased ›o Rs 89.93 lakhs from Rs ›9.30 lakhs during the pre›ious year. Units sold under ›oluntary Savings Plan am›undted to Rs 2.09 lakhs as ›gainst Rs 1.66 lakhs in ›971-72. The Children's Gift ›lan accounted for an in›low of Rs 67.03 lakhs; the ›corresponding figure for ›1971-72 being Rs 50.54 lakhs.

›4. Repurchases of units ›ave remained at a low level ›nd amounted to Rs 2.97 ›crores compared to Rs 2.60 crores in the previous year, forming 2.4% of the units outstanding at the end of the year; the proportion for 1971-72 was 2.5%. As on June 30, 1973, units sold and outstanding amounted to Rs 124.79 crores, the number of accounts being over 5 lakhs.

5. The income pertaining to the Scheme amounted to Rs 11.79 crores as against Rs 9.68 crores in the preceding year. The Board decided to raise the rate of income distribution to unitholders to 8.50% from 8.25% in the previous year and to the initial capital contributors to 5.75% from 5.50% in the previous year.

UNIT SCHEME 1971

6. Sales of units under the 1971 Unit Scheme are made through the Unit-Linked Insurance Plan. This is a new ten-year contractual savings plan started from October 1971 and offers to the participants the advantages of investments in units of the Trust combined with the benefits of life insurance cover which is provided by the Life Insurance Corporation. Sale of units under the plan during the year amounted to Rs 12.96 lakhs as against Rs 3.24 lakhs in 1971-72. In all, 1,815 members have joined the Plan till the end of June 1973.

7. The income and expenditure of the Scheme for the year amounted to Rs 1,28,966 and Rs. 50,647 respectively. The Board has decided to declare an income distribution of 7% for the year.

INVESTMENTS

8. The total investible funds of the Trust (including those under Unit Scheme 1971) increased from Rs 119.3 crores as on June 30, 1972 to Rs 142 crores as on June 30, 1973. While the basic investment strategy of the Trust continued to centre round a balance portfolio comprising both fixed income and variable dividend securities, there was a deliberate shift of emphasis in favour of equity shares. Consequently, the proportion of ordinary shares in the total investments increased from 37.4% as on June 30, 1972 to 42.8% as on June 30, 1973, while it declined from 11.7% to 10.5% for preference shares and from 35.1% to 33.9% for debentures. Other investments of the Trust formed 12.8% of total investments as on June 30, 1973. The Trust's funds were spread over about 475 companies against 425 in the previous year.

9. The Trust's underwriting operations showed a decline from Rs 4.58 crores in respect of 14 capital issues in 1971-72 to Rs. 1.45 crores in respect of 13 issues in 1972-73. The market value of the Trust's investment in industrial securities showed a larger appreciation of 7.7% as on June 30, 1973 as against 5.6% as at the close of the preceding year.

RECORDS AND STATISTICS

Power development

THE FEDERATION of Indian Chambers of Commerce and Industry (FICCI) organised a seminar in the capital on August 25, to focus attention on the present shortage of power and various organisational and management issues regarding power development. The FICCI had organised a seminar in September, 1972 also to discuss the same subject. The FICCI is rightly of the view that power development calls for a multi-dimensional approach. The fact that the fourth five-year Plan has projected to increase power capacity by 60 to 70 per cent is recognition of the fact that this country would face power famine unless far-reaching steps are taken in time.

The FICCI circulated a background paper at the seminar which covered factual data; planning, generation and transmission of power with special reference to organisational structure, management and maintenance of power plants and distribution network. It also gave a summary of discussions of the seminar held last year, the measures taken by the government for meeting the power situation and the fifth five-year Plan proposals. The demand and supply of power, state-wise and region-wise for the first seven months of the current year was also set out in the background paper which is reprinted below in full:

Electricity is one of the basic necessities for the agricultural and industrial development of the country. The rise in per capita consumption of electricity is an indicator of the stage of economic development and standard of living. This section presents some basic facts and figures about power generation, consumption and development of power in five-year Plans in India. Some statistical information regarding consumption of power and transmission losses in other countries has also been given.

TABLE I

Growth of Per Capita Consumption of Electricity in India

Year	kWh
1947	13
1950-51	18
1955-56	26
1960-61	38
1965-66	61
1968-69	78
1972-73	94
1973-74	113
1978-79	185*

*Projected

Although per capita consumption has been increasing, it is still very low by world standards. Even a doubling of generating capacity in the next five years will leave the country far behind the developed world.

India's per capita consumption of power is the lowest in the world except Nepal and Pakistan.

There are two Central Acts –The Indian Electricity Act, 1910 and the Electricity (Supply) Act, 1948 which govern the supply of electricity. The main object of the Act of 1910 was to extend control over various electricity undertakings then operating in the private sector. The objectives of 1948 Act were the rationalisation of the production and generation of electric power and its development were intended on a regional basis. However, need for a national policy co-ordinating power development was felt even . The Act of 1948, there provided for the creation Central Electricity Auth entrusted with the responsibility, **inter alia,** to devel a sound, adequate and formed national power and to co-ordinate the activities of various author Besides, the states were a rised to establish State Electricity Boards which given the responsibility preparing and carrying power schemes, for generation, inter-connection by transmission lines and sup of electricity to consum State Electricity Consulta

TABLE II

Per Capita Consumption of Power in Different Countries in 1968

Countries	kWh
Austria	2471
Belgium	2444
East Germany	2868
France	2887
India	78
Japan	2377
Norway	13010
USSR	1710
United Kingdom	3481
United States	6550
West Germany	3060

TABLE III

Plan Targets and Achievements

(Mill-k

	Planned addition	Achievement	Short (Percen tage
1950-55 (First Plan)	1.40	1.12	20
1956-61 (Second Plan)	3.48	2.23	36
1961-66 (Third Plan)	7.04	4.52	35
1966-69 (Three Annual Plans)	6.68	4.12	38
1969-74 (Fourth Plan)	9.20	5.80*	37

*Estimate

Note: The actuals have consistently fallen short of the target all the Plans.

TABLE IV

Investment in Power Supply Industry

(Rs cro

	Planned	Act
Pre-Plan	—	
First Plan	260	
Second Plan	460	
Third Plan	1252	
Three Annual Plans	1224	
Fourth Plan	2460	
Fifth Plan	5700	

Note: Actual investment has all through the Plans exceeded planned investment, although physical targets fell

Fifth Plan allocation of Rs 5,700 crores by the Plan Commission is for a programme of 18.28 million kW additional capacity as against an estimate of Rs crores by the Power Ministry for an estimated requ of 21.8 million kW of additional capacity.

ncils were also provided to advise the Boards on or questions of policy.

me other features that be noted are:

Under the Constitution of India adopted in January, 1950, electricity continues to be in the Concurrent List empowering both the union and state governments to legislate on the subject.

) The Industrial Policy Resolution of 1956 included generation and distribution of electricity in its Schedule A, i.e. the list of industries "the future development of which is the exclusive responsibility of the State". There are still over about 130 private licensees operating in different states. Captive plants have also been installed in many industrial establishments in big cities like Bombay, Calcutta, etc.

i) Regional Electricity Boards were formed in 1964-65 by grouping the states into 5 regions. These Boards were intended to rationalise and integrate the state power systems within the regions and to carry out other relative functions such as rationalisation and settlement of inter-state tariffs, setting up of regional load despatch centres, etc. These Boards are, however, only advisory and have no statutory authority. The working of the Regional Boards has not been upto expectations, and it is generally felt that suitable statutory authority should be vested on them to make them more effective.

The Central Electricity uthority envisaged under ne 1948 Act consists of not hould have, **inter alia** the fol- nore than 6 members appointed by the Central Govrnment of which 3 are to be ull-time members. It is curently composed of the Secetary, Ministry of Irrigation and Power as Chairman, two members of CWPC, one Joint Secretary each from the Ministries of Irrigation and Power and Law as members. However, as observed by the Estimates Committee, the Central Electricity Authority has so far been working in name to comply with the statute. The functions of this Authority are being discharged by the Ministry of Irrigation and Power; in practice, by the Central Water & Power Commission. In fact, it is this Ministry through the CWPC rather than the Central Electricity Authority which attemps at co-ordination.

A number of matters which come under the purview of the organisational structure of power involve other Departments|Ministries of the Central Government. The manufacture of power generating plants and equipment is largely done in public sector undertakings like the Bharat Heavy Electricals Ltd., Heavy Electricals Ltd. which had been under the Ministry of Industrial Development till recently and now under the Ministry of Heavy Industry. The Ministry of Steel & Mines is incharge of coal which is an important fuel for thermal stations; it is also the authority to sanction steel supplies for construction work. Power stations using fuel oil have to depend on the Ministry of Petroleum and Chemicals. Transport problems come under the Ministries of Railways and Transport. The Ministry of Commerce is concerned with all imports, the Planning Commission has to sanction the power projects and all allocation of financial resources involve the sanction of the Ministry of Finance. In fact, as pointed out by the Power Economy Committee, the "responsibility of planning, at present, is divided between the planning Commission (Power Wing), Ministry of Irrigation and Power, Ministry of Finance, Ad hoc Committee for Power Projects, etc. This division of responsibility is not conducive to a unified and purposeful objective so essential for power planning. The entire work of preparing long term power plans should be entrusted to a single centralised agency."

The organisational structure of the power supply industry is clearly complex; the responsibility is diffused, and basic policy decisions as well as implementation get delayed. There is evidently an urgent need for a Central Authority composed of representatives from all organisations concerned—such as the Ministry of Irrigation and Power, the Planning Commission, the Railway Board, the Ministry of Industrial Development, the Ministry of Heavy Industry and representatives of central organisations of the public and private sectors of in-

TABLE V

Power Generating Capacity and Energy Generated during the Plan

	Target (mill kW)	Capacity installed (mill kW)	Electricity generated (mill kWh)	Electricity generated per kW of capacity
1950-51	—	2.30	6575	2860
1955-56	3.70	3.42	10777	3150
1960-61	7.90	5.65	19850	3510
1965-66	12.69	10.17	36825	3620
1968-69	16.85	14.29	51700	3620
1972-73	18.50*	8.06*	53210*	3500*

*Estimated

Note: In 1972-73 the electricity generated per kW of installed capacity was about 3500 units. The figures for some other power plants are as follows: Bokaro 3960, Calcutta Electric Supply Co. 3740. Durgapur 2830, Ennore 2700, Nellore 7900, Talchar 2550, Tata Electric Cos. 6760.

TABLE VI

Power Generating Capacity According to Sources

(Million kW)

	Thermal		Hydro	Nuclear	Total
	Steam	Oil			
1950-51	1.59	0.15	0.56	—	2.30
1955-56	2.27	0.21	0.94	—	3.42
1960-61	3.40	0.33	1.92	—	5.65
1965-66	5.65	0.42	4.10	—	10.17
1968-69	7.88	0.50	5.91	—	14.29
1973-74	12.75		9.42	0.98	23.15

*Targets

Note: Fifth Plan proposal for 21.8 million kW additional generating capacity constitute of 11.8 million kW of thermal plants, 1.4 million kW in nuclear plants and 8.6 million kW in hydro plants.

dustry. Such an Authority lowing functions and responsibilities:

(a) Formulation of a national power policy over a long perspective;

(b) Planning the power development programmes;

(c) General policy decisions in respect of power development such as choice of the method of generation—hydro, thermal and nuclear, choice between different fuels, locations, and economic sizes, measures for increasing efficiency and reduction of cost etc.;

(d) Co-ordination of matters coming under the purview of more than one central Ministry/Department, and this includes coordination of the efforts regarding supply and generation of plants, steel, cement for main power projects and ensuring their timely supply;

(e) Co-ordination of inter-State matters in power administration and development.

There are a number of problems of management of men, materials and works both for construction of new power plants and distribution network and for the efficient operation and maintenance of the existing ones.

(a) Management of New Power Projects

Installation of new power plants is a long process. Project management is concerned with a number of operations such as placing of orders for plant and machinery, arranging for their imports wherever necessary; organising specialised activities of civil works and installation of machinery, arranging for transport facilities for the supply of coal/oil etc. These operations call for a well-defined and effective management authorised to initiate simultaneous action on various operations. These actions have to be taken well in advance and also in close liaison with the Central Government departments/Ministries concerned.

Power projects are generally under the administrative responsibilities of the State Electricity Boards, or special authorities for multipurpose schemes like the DVC, though some projects are taken up directly under the supervision of the Ministry of Irrigation & Power/CWPC. There are, however, some inherent features in the current procedure which cause delay. Delays may occur at the following stages of work of erection of power projects.

(a) preparation of project feasibility studies;

(b) taking decisions by the State/Central authorities about the size, location, fuel, design and other technical details of a project;

(c) obtaining sanction of the Finance Ministry and the Planning Commission to financial proposals put forward by the State authorities;

(d) sanction and clearance of foriegn exchange required for the projects; and

(e) delay due to the multi-departmental set up.

An illustration is provided by the fact that sanction for projects accounting for only 3.5 million kW of capacity has been accorded by the Planning Commission till June 1973, although project reports for 12.1 million kW out of 13.9 million kW of new generating capacity for installation in Fifth Plan, have already been prepared by State authorities. Unless these are cleared by December this ... time schedule of ... of power plants would ... turbed considerably.

An analysis of the ... in commissioning of ... generating schemes in the ...

TABLE VIII

Transmission Losses

(Percent...

State/Union Territory	1966-67	1967-68
Andhra Pradesh*	26.57	25.2
Assam*	24.10	25.6
Bihar (excluding DVC)*	10.46	18.4
Gujarat	11.80	14.2
Haryana*	—	16.6
Himachal Pradesh	11.41	21.5
Jammu & Kashmir*	13.52	23.9
Kerala	20.42	15.8
Madhya Pradesh	12.64	13.1
Maharashtra	14.29	11.7
Mysore	16.54	16.6
Nagaland	6.24	7.6
Orissa	14.21	9.8
Punjab	13.88	10.9
Rajasthan*	25.93	30.7
Tamil Nadu*	17.06	18.2
UP*	19.37	20.1
West Bengal	9.16	11.8
DVC	4.67	6.2
Delhi	12.83	15.6
All India	15.9	16.5

*Transmission losses are very high in certain states. ... this any co-relation with extensions for rural electrificati... Special attention for improving the management of plants in th... states is called for.

TABLE VII

Power Supply Position

(MU/Day)

	January-June 1973 Average			July, 1973		
	Demand	Availability	Deficit	Demand	Availability	Defi...
Northern Region	53.09	43.56	—9.53	51.89	47.87	—4...
Western Region	56.87	52.08	—4.79	51.50	51.40	—0...
Southern Region	54.18	40.07	—14.11	55.50	49.24	—6...
Eastern Region	37.27	34.06	—3.21	39.04	36.94	—...
North-Eastern Region	1.35	1.30	—0.05	1.40	1.40	
All India	202.78	171.07	—31.71	199.33	186.85	—12...

Note: The deficit in the month of August is said to have come down to 8 million units per ...
The demand and availability of power supply differ from state to state.
None of the regions were free from shortage since January last. Only a few states had ...

ws that during the Fourth
n 47 per cent of the cases
delay were due to delivery
main equipment; 34 per
t due to delay in sanc-
ning placement of order for
in equipment and 19 per
t due to delay in sanc-
ning placement of order
main equipment. Some-
es the delays are due to
ite shortage in construction
terials such as cement,
uctural and matching steel
d delayed delivery of
chinery and equipment by
igenous manufacturers.
ere is need for assessment
the requirements of cons-
ction materials well in ad-
nce as well as in arranging
supplies in advance either
igenously or through im-
rts on top priority basis.
ection of the power plants
uires special expertise for
ferent types of installations,
chanisation of work and
equate equipment like cran-
tools, scaffolding, etc. Ex-
t study teams have noted
need for creating a nucle-
organisation and trained
npower in each State for
ing up civil works and ins-
lation of machinery and
uipment in order to help the
nagement in the erection of
wer plants according to
nedule.

One of the deficiencies of
wer project management is
it the responsibilities are not
ll-defined as a result of
nich a large number of pro-
ts have suffered. Every pro-
t should be organised from
e beginning under a qualified
d experienced manager
ho should be responsible
r the overall charge of the
oject and vested with ade-
ate financial and adminis-
ative powers. A specific per-
n is to be made responsible
r completion of each item
work according to schedule.
odern methods of manage-
ent should be utilised for
sessment of work. Perfor-
ance budgeting is considered
be a valuable tool of ma-
gement and therefore should
introduced at different le-
els of project execution. This
volves keeping of accounts,
tput-wise instead of input-
ise; output being taken in the
lder sense of objectives and achievements. This valuable tool of management has also been recommended by the Administrative Reforms Commission.

(b) Management of Existing Power Plants and Transmission Lines

There are a number of current problems of running the existing power plants. The efficiency of working of power plants and their maintenance have been unsatisfactory as a result of which the power generating capacity already installed cannot be fully utilised. Besides, transmission lines which are suffering from a paucity of high voltage transmission lines to carry power over long distances are also known to be poorly maintained. The existing transmission lines are often burdened by putting additional load, thereby causing transmission breakdown and low voltage problems. Moreover, maintenance of lines against natural hazards are very inadequate. The lines in Gujarat are subject to heavy salt pollution for over two decades and the Maharashtra lines to heavy chemical and industrial pollution. It is, therefore, no surprise that transmission losses in India are among the highest in the World.

The main reasons for high transmission losses in India are (a) transmission and distribution of energy over long distance and large number of transformation stages; (b) inadequate size of conductors; (c) low power factor of predominatly industrial and agricultural loads; (d) inadequacy of inter-connections; (e) lack of integrated operations; (f) unauthorised tapping of energy; and (g) sanction of extra loads before providing for adequate transmission equipment and facilities. Some of these factors come under the purview of Central organisation envisaged in Section III for co-ordination of inter-State matters and for integration of all activities under a general power development policy. State authorities in charge of the plants within their States can look after the network of distribution and the connected problems. Transmission losses can be reduced by a proper co-ordination of work between the State and Central authorities.

Both technical and non-technical factors are held responsible for unduly low utilisation of installed power generating capacity and their poor maintenance. These include non-availability of spares and components, proper motivations and training of staff, inadequate transport arrangements and inferior quality of coal. It has been observed by Study Teams and others that the facilities available for overhauling and maintenance of power plants are meagre so that breakdowns and forced outages are high. Evidently, there is need for specialised overhauling and maintenance facilities and a well-trained staff under the management. Such facilities may be established on a regional or State basis.

It is the responsibility of management to anticipate the requirements of machinery and spares, their specifications and quantities for maintenance of power plants and the transmission network. Whether these could be secured indigenously or from imports should be determined well in advance; wherever necessary the assistance of co-ordinating organisations have to be called for. Frequent labour troubles in power plants, have been responsible for power shortage in some areas. The plant management should do everything to reduce such losses to the minimum.

Power supply industry in this country started on the initiative and enterprise of the private sector. Technical skills available in the field in the private sector should be utilised to the full. The working of many of the power plants in the private sector is efficient. Their managements should not be disturbed. Their activities should rather be allowed to expand. Industrial units having power plants of their own contribute towards increasing the power supply. In areas where industries are concentrated, a number of industries can join in a co-operative effort to set up power plants for sharing the supply. If there is surplus power from these captive co-operative plants, the supply could be made available to other consumers at rates settled by negotiation. Such schemes will augment the total availability of power.

Summary of Discussions Conclusion of the Seminar on Power Development, September 1972

The address of the FICCI President, Mr Madanmohan

TABLE IX

Transmission Losses in Advanced Countries

(Percentages)

Country	1967	1968
Austria	9.6	9.0
Czechoslovakia	7.8	8.1
Finland	1.3	7.7
France	7.6	7.4
Hungary	9.3	10.3
India	16.5	16.7
Ireland	11.2	10.6
Italy	10.1	9.1
Norway	10.4	10.1
Poland	8.7	8.6
Sweden	12.1	12.5
Switzerland	8.2	8.1
West Germany	5.9	5.7
Yugoslavia	11.9	11.
USA	—	10.0

Note : Transmission losses in India are one of the highest.

Mangaldas, and the Inaugural speech of the Minister for Irrigation and Power, Dr K.L. Rao, highlighted the power shortages and the potentials of power development. The participation in the Seminar was fully representative of Government, Planning Commission, Electricity Undertakings, manufacturers of equipment and users of power in both public and private sectors. The Seminar divided itself into three Technical Sessions to consider problems relating to shortages of power, generation, transmission and distribution and electricity tariffs.

Almost all the State and every sector of the economy have been experiencing acute power shortages of varying intensity. The situation is grave. The cuts in electricity supply are severe. In quite a few States, industries are not working throughout the week. Even during the working days, there are both planned and unplanned cuts in supply. Industry is compelled to lay off workers. At a time when there are programmes of faster economic development, even the existing capacities have to remain unutilised. There is great national wastage. The consequences are manifold and constitute a serious threat to orderly progress.

The discussions in the Seminar covered in depth the various aspects of the problem. While there are many difficulties which a developing economy like ours has to face, the main problem is human failure. The procedures under which projects have been approved and implemented have contributed to the present crisis. There are other root causes such as shortfall in the establishment of capacity, inadequate utilisation of capacity arising from technical defaults and heavy transmission losses of the order of 18% or more. The immediate reasons can be traced to the failure of monsoon, interruptions in the movement of coal, and limitations on imports of items even though they are not readily available indigenously.

The fortunes of industry as much as agriculture have now come to depend upon the monsoons. Power shortage has highlighted the adverse impact it can have on the industrial and agricultural operations, and, therefore, how necessary it is to plan for supplies of power from sources other than hydel. The recent action taken by the authorities in some States of imposing power cuts has led to considerable loss in national production. Not only such action has been initiated without prior consultations with the consumers, they have also been exposed to the rigours of penalty.

The Seminar noted with concern that, according to the data furnished by Government spokesmen, the unsatisfactory supply position would continue for at least another two years, if not more. At the same time Government are planning to increase installed capacity for the Fifth Plan by 21.8 million kW including the spill-over from the Fourth Plan. The whole position, the Seminar felt, should be viewed not only with a sense of great urgency, but also in relation to the programmes of hastening agricultural and industrial development so as to provide larger employment opportunities.

In this perspective, the Seminar has the following recommendations to make:

—Poor maintenance of equipment is mainly responsible for the interruptions in the supply of power. The position can be met only if a Task Force consisting of best maintenance engineers drawn from both public and private sectors are given specific responsibility for visiting the most important stations and taking all measures for improving maintenance on the spot. The Task Force should have full authority to act and should work within a time-bound programme so that losses to industry and agriculture could be minimised during the dry season.

Many of the thermal plants are not able to operate to full capacity due to inadequacy of supply of coal. Large stocks of coal are available at pit-heads but wagons for moving coal are not made available. The Ministry of Irrigation and Power should arrange a meeting urgently of the representatives of the Railway Board and large thermal power stations to identify the problem and to find solutions so that movement of coal can be fully organised within two months. This meeting should also address itself to the question of ensuring production and supply of appropriate grade and quality of coal to the thermal plants.

—The prime Minister and the Cabinet as a whole should be seized of the situation. Unless effective steps are taken on a war-footing basis and the supply of power is at least maintained, industrial and agricultural production may be further adversely affected and the position may deteriorate to a law and order problem.

--Forecasting of demand and assessment of generating capacity of projects must be made on a scientific basis.

—Power planning must be for a longer period than the conventional five year term.

—To the extent possible, the addition to the supply must be continuous.

—There must be simultaneous forward planning by the different concerned authorities such as Electricity Boards, CWPC, Technical Advisory Committee, Planning Commission, Coal Board, indigenous manufacturers of equipment and Government. Each should not wait for the clearance from the other, particularly because the substance and detail of the power projects have been accepted in principle and also outlined.

—Availability of existing fuel resources must be carefully assessed and possibility of using alternative fuels must be explored.

—Power is a high investment industry and it must be efficiently utilised.

--Uncertainty in the minds of private electricity undert-ings following reports ab- nationalisation must be re-moved so that they ma- on a long-term basis. Th- is no advantage in d- the management of effi- operated electricity undert-ings.

—Industry must be allo- to set up generating pl- for their own use. To fa- tate such installation Gov- ment must allow develop- rebate (or similar allow- in lieu of development re- and such generation of po- should be free from levies any kind. It would be e- nomical if industrial un- takings are allowed to ge- rate power as a by-product installing back-pressure t- bines which are available a comparatively lower c-

—While the indigenous ma- facturing capacity should fully utilised imports sh- be allowed as a stop-gap rangement and a choice b- ween self-reliance and fa- growth has to be made o- realistic basis.

--The standard of main- ance equipment must be i- proved through training p- grammes at all levels.

—Currently the 18% loss transmission adds up to high figure of 3 to 4 mil- kW. It is regrettable t- future planning implicity sumes this loss. 1% reduct- in transmission loss wo- mean a saving of Rs. 5 cr- a year. Therefore, every eff- should be made to ens- that the transmission loss minimised.

—Fluctuations in voltage - be corrected at source installing suitable equipm- Otherwise the consumer compelled to make additi- infructuous investment.

--The Regional Board sh- keep a closer watch on progress of projects, so timely help can be ren- to each other in emergen- In addition, the agreem- between States for supply power should be made o- long-term basis and on s- ple terms. This will pro- be mutually advanta- than entering into prot-

gotiations in times of emer-
ncy. .

Progress in repect of estab-
hing regional and national
ds has to be expedited.

As the supply of power is
pected to be short, its dis-
bution must be carefully
ıde and it should not be
sted merely for its demons-
ıtive effect.

Power tariff policy has to
reconciled to the claims of
erse classes of consumers.
eir special needs and ca-
city to pay on the one
ıd, and economic running
supply undertakings on the
er.

The cost of generation
nsmission has been going
It is incumbent on the
pply undertakings to im-
ve management and in-
ase efficiency.

The consumer is subject to
automatic increase in the
den of the duty tax or
s. This practice should be
ed. There is no justifica-
n for continuing the levy
self-generated power.

While consumers have to
penalties for wrong use
electricity there are no pe-
ies on suppliers for fluc-
ions in voltage, interrup-
is etc. This anomally
uld be removed.

The Rating Committees set
under the Electricity
pply) Act must be acti-
d and the independent re-
vs of tariffs undertaken by
n should be readily ac-
ed by State Governments.
sumers also should be as-
ated with rate fixation.

**isures taken by Govern-
ent for Improving the
ower situation**

number of Committees
e been constituted at Gov-
nent level since September,
2. These are:

Ministerial Group com-
ing Deputy Chairman of
Planning Commission as
irman, and the Minister
inance, Minister of Indus-
Development, Minister
teel and Mines, Minister
Railways and the Minister
Irrigation and Power as
ıbers.

• Steering Committee with
Member (Planning) as Chairman and the Cabinet Secretary, Finance Secretary and Secretary Ministry of Irrigation and Power as members.

—A Control Room in the Railway Board to ensure proper and adequate supply of coal to various thermal power stations.

—A Committee under the Chairmanship of Member (HE), Central Water and Power Commission, to make detailed technical studies and recommend specific point for reduction of losses in transmission and distribution lines in the power systems.

—A Committee under the Chairmanship of the Minister for Power, Uttar Pradesh, to make an assessment to what extent an indigenous manufacturer can meet the requirements of power generation in the Fifth-Plan.

—Two Groups of Experts—one for thermal and the other for hydro-power stations—to inspect power stations in the country and report periodically on the performance of the generating plants and recommend the measures for improving their operations and maintenance.

—A Site Selection Committee under the Chairmanship of Member (Thermal), Central Water and Power Commission to select sites for large thermal power stations.

Electricity has been the most perfect form of energy in India as in all advanced countries. The rate of growth of demand has been at about 12 per cent per annum during the last decade. The demand for electricity has increased from 3.8 million kW in 1960-61 to about 11.85 million kW in 1971-72. The corresponding increase in energy consumption has been from 17 million units to 52 million units. During the same period the growth rate of the economy has been about 3-4 per cent and that envisaged for the Fifth Plan 5.5 per cent. The rate of growth of power, therefore, has to be higher than in the past.

The most important consumer of electricity is the industry. It has been estimated that by the end of the Fifth Plan in 1978-79 the total energy requirements would be, about 141,000 million units of which industry would account for 82,000 million units. Giving due consideration to the requirements of non-utilities and power station oscillations the total energy required by the end of the Fifth Plan is placed at 156,000 million units.

In order to meet demand, the Ministry of Irrigation and Power prepared a Plan in April 1973, a programme for implementation in the Fifth Plan as follows:

—Addition of 21.8 million kW of capacity comprising of 6.7 million kW from schemes continuing from Fourth Plan and 15.1 million kW from new schemes, including extensions of existing units.

—Construction of additional 37450 circuit KMs of transmission lines at 66 KW and above.

—Electrification of 1.31 lakh villages—electrification of 25 lakh irrigation pump sets.

The Plan also envisaged advance action in respect of additional generating capacity required for implementation during the Fifth Plan period so that benefits are available in the early Sixth Plan period. The total outlay for the programme was put at Rs 7600 crores for generation, transmission, distribution, rural electrification, advance action schemes, regional low despatch centres, training research and development etc.

The Approach Paper for the Fifth Plan, however, had allocated an amount of Rs 5,700 crores for power. This cost is on the basis of an ad-

...tion of 19.25 million kW of capacity during the Fifth Plan period instead of 21.8 million kW as suggested by the Power Ministry. However, the recent conference of State Ministers of Irrigation and Power held in July last, after due consideration of the rate of growth of demand for power and the load estimates suggested that the additional generating capacity during the Fifth Plan should be atleast 20 million kW, and that there should be provision for... 10% margin for slippage on account of delays, labour troubles, shortages of ce... and steel, etc.

Annex...

Demand and Supply of Power: State & Regionwise

(Figures in MU...)

State	January 1973			February 1973		
	Demand	Availability	Deficit	Demand	Availability	Deficit
Northern Region						
1. Haryana	5.9	4.06	1.84	5.90	3.70	2.20
2. Himachal Pradesh	0.95	0.95	—	0.6	0.56	0.04
3. Jammu & Kashmir	1.13	0.78	0.35	1.10	0.66	0.44
4. Punjab	8.5	5.22	3.28	8.75	4.6	4.15
5. Rajasthan	5.15	5.15	—	6.6	6.6	—
6. Uttar Pradesh	23.1	21.0	2.1	23.8	18.9	4.90
7. Delhi	4.2	4.2	—	4.16	5.26	+1.10
8. Chandigarh	0.48	0.34	0.14	0.4	0.3	0.10
9. Nangal Fertiliser	1.45	1.45	—	1.45	1.45	—
Total	50.86	43.15	7.71	52.76	43.03	10.73
Western Region						
1. Maharashtra	31.2	27.65	3.55	32.7	28.6	4.1
2. Gujarat	16.55	15.52	1.03	16.95	16.95	—
3. Madhya Pradesh	8.96	8.96	—	8.67	8.67	—
4. Goa	—	—	—	—	—	—
Total	56.71	52.13	4.58	58.32	54.22	4.10
Southern Region						
1. Andhra Pradesh	10.1	6.84	3.26	10.9	7.2	3.7
2. Kerala	6.0	6.0	—	6.8	6.8	—
3. Mysore	14.6	10.6	4.00	15.1	11.7	3.4
4. Tamil Nadu	22.0	21.2	0.80	23.8	15.0	8.8
Total	52.7	44.64	8.06	56.6	40.7	15.9
Eastern Region						
1. Bihar	5.85	5.85	—	7.06	6.21	0.85
2. West Bengal	12.3	10.5	1.80	12.7	11.7	1.0
3. DVC	11.3	11.3	—	11.6	10.9	0.70
4. Orissa	4.75	4.75	—	5.38	5.38	—
Total	34.20	32.40	1.80	36.74	34.19	2.55
North-Eastern Region	1.53	1.68	+0.15	0.58	0.86	+0.28
All India	196	174	22	205	172	33

State	March 1973			April 1973		
	Demand	Availability	Deficit	Demand	Availability	Deficit
Northern Region						
1. Haryana	6.56	3.74	2.82	7.0	3.86	3.14
2. Himachal Pradesh	0.58	0.59	+0.01	0.6	0.76	+0.16
3. Jammu & Kashmir	1.13	0.60	0.53	1.16	0.60	0.56
4. Punjab	8.75	5.73	3.02	9.0	5.76	3.24
5. Rajasthan	6.62	6.62	—	6.0	3.92	2.08
6. Uttar Pradesh	23.3	17.9	5.4	25.0	21.4	3.6
7. Delhi	3.86	5.21	+1.35	4.1	4.51	+0.41
8. Chandigarh	0.4	0.3	0.10	0.4	0.3	0.1
9. Nangal Fertiliser	1.45	1.45	—	1.45	1.45	—
Total	52.65	42.14	10.51	54.71	42.56	12.15

(Contd.)

Demand and Supply of Power : State and Region-wise—(*Contd.*)

estern Region						
Maharashtra	31.2	28.5	2.7	32.0	28.5	3.5
Gujarat	16.6	16.6	—	16.6	16.6	—
Madhya Pradesh	8.5	8.5	—	8.28	8.33	—0.05
Goa	—	—	—	—	—	—
Total	56.3	53.6	2.7	56.88	53.43	3.45
outhern Region						
Andhra Pradesh	11.15	7.0	4.15	10.6	6.1	4.5
Kerala	6.8	6.8	—	6.40	6.40	—
Mysore	15.1	11.7	3.4	13.6	11.40	2.20
Tamil Nadu	23.4	15.0	8.4	23.2	14.1	9.0
Total	56.45	40.5	15.95	53.80	38.00	15.8
astern Region						
Bihar	6.76	5.8	0.96	7.2	6.0	1.2
West Bengal	13.0	11.7	1.3	13.45	12.05	1.40
D.V.C.	11.6	10.8	0.8	11.3	10.2	1.1
Orissa	5.4	5.4	—	5.51	5.51	—
Total	36.76	33.7	3.06	37.46	33.76	3.7
orth-Eastern Region	1.84	1.06	0.78	1.15	1.25	+0.10
ll India:	204	171	33	204	169	35

State	May 1973			June 1973		
	Demand	Availability	Deficit	Demand	Availability	Deficit
orthern Region						
Haryana	6.13	4.17	1.96	5.33	4.98	0.35
Himachal Pradesh	0.87	0.64	0.23	0.87	0.87	—
Jammu & Kashmir	1.13	0.90	0.23	1.18	0.81	0.37
Punjab	8.00	6.73	1.27	8.10	7.18	0.92
Rajasthan	5.32	3.94	1.38	9.80	4.68	0.12
Uttar Pradesh	26.00	21.45	4.55	25.50	21.50	4.00
Delhi	4.60	4.45	0.15	5.00	4.55	0.45
Chandigarh	0.44	0.38	0.06	0.47	0.42	0.05
Nangal Fertiliser	1.46	1.46	—	2.35	2.35	—
Total	53.95	44.12	9.83	53.60	47.34	6.26
estern Region						
Gujarat	15.5	15.5	—	15.00	15.00	—
Madhya Pradesh	8.35	7.8	0.55	8.00	7.70	0.30
Maharashtra	33.3	26.2	7.1	32.30	26.50	5.80
Goa	—	—	—	0.60	0.40	0.20
Total	57.15	49.5	7.65	55.90	49.60	6.30
outhern Region						
Andhra Pradesh	9.86	6.65	3.21	9.63	7.24	2.39
Kerala	6.16	6.16	—	6.43	6.43	—
Mysore	13.40	11.60	1.80	15.00	11.62	3.38
Tamil Nadu	22.25	12.80	9.45	22.83	14.10	8.73
Total	51.67	37.21	14.46	53.89	39.39	14.50

(*Contd.*)

Eastern Region						
1. Bihar	7.46	7.40	0.06	7.63	6.40	1.[illegible]
2. West Bengal	13.60	13.25	0.35	13.51	13.00	0.5[illegible]
3. D.V.C.	11.29	10.50	0.79	13.50	11.30	2.[illegible]
4. Orissa	5.85	4.25	1.60	5.65	4.20	1.[illegible]
Total	38.20	35.40	2.80	40.29	34.90	5.[illegible]
Northern Estern Region	1.63	1.57	0.06	1.4	1.4	—
All India:	202.6	167.8	34.8	205.08	172.63	32.4[illegible]

State	July 1973		
	Demand	Availability	Deficit
Northern Region			
1. Haryana	5.10	4.70	0.40
2. Himachal Pradesh	0.64	0.64	—
3. Jammu & Kashmir	1.18	0.81	0.37
4. Punjab	8.10	7.80	0.30
5. Rajasthan	4.80	4.20	0.60
6. Uttar Pradesh	23.40	21.50	1.90
7. Delhi	5.20	4.80	0.40
8. Chandigarh	0.47	0.42	0.05
9. Nangal Fertiliser	3.00	3.00	—
Total	51.89	47.87	4.02
Western Region			
1. Gujarat	13.00	13.00	—
2. Madhya Pradesh	8.00	8.00	—
3. Maharashtra	30.00	30.00	—
4. Goa	0.50	0.40	0.10
Total	51.50	51.40	0.10
Southern Region			
1. Andhra Pradesh	11.42	8.92	2.50
2. Kerala	6.08	6.18	+0.10
3. Mysore	14.00	13.00	1.00
4. Tamil Nadu	24.00	21.14	2.86
Total	55.50	49.24	6.26
Eastern Region			
1. Bihar	6.40	6.40	—
2. West Bengal	13.50	13.00	0.50
3. D.V.C.	13.50	12.62	0.88
4. Orissa	5.64	4.92	0.72
Total	39.04	36.94	2.10
Northern Eastern Region	1.40	1.40	—
All India	199.33	186.85	12.48

Source: Ministry of Irrigation & Pow[er]

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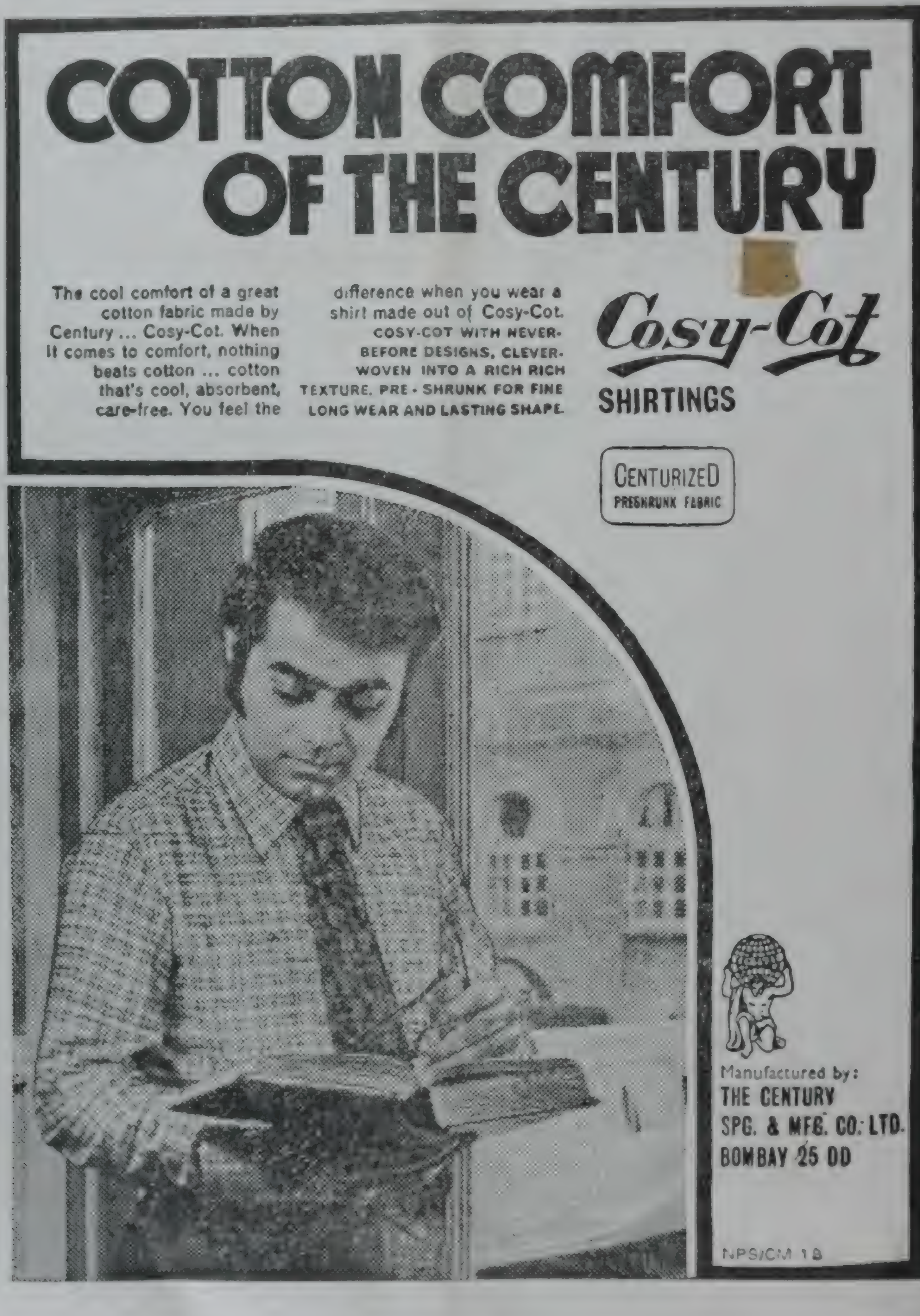

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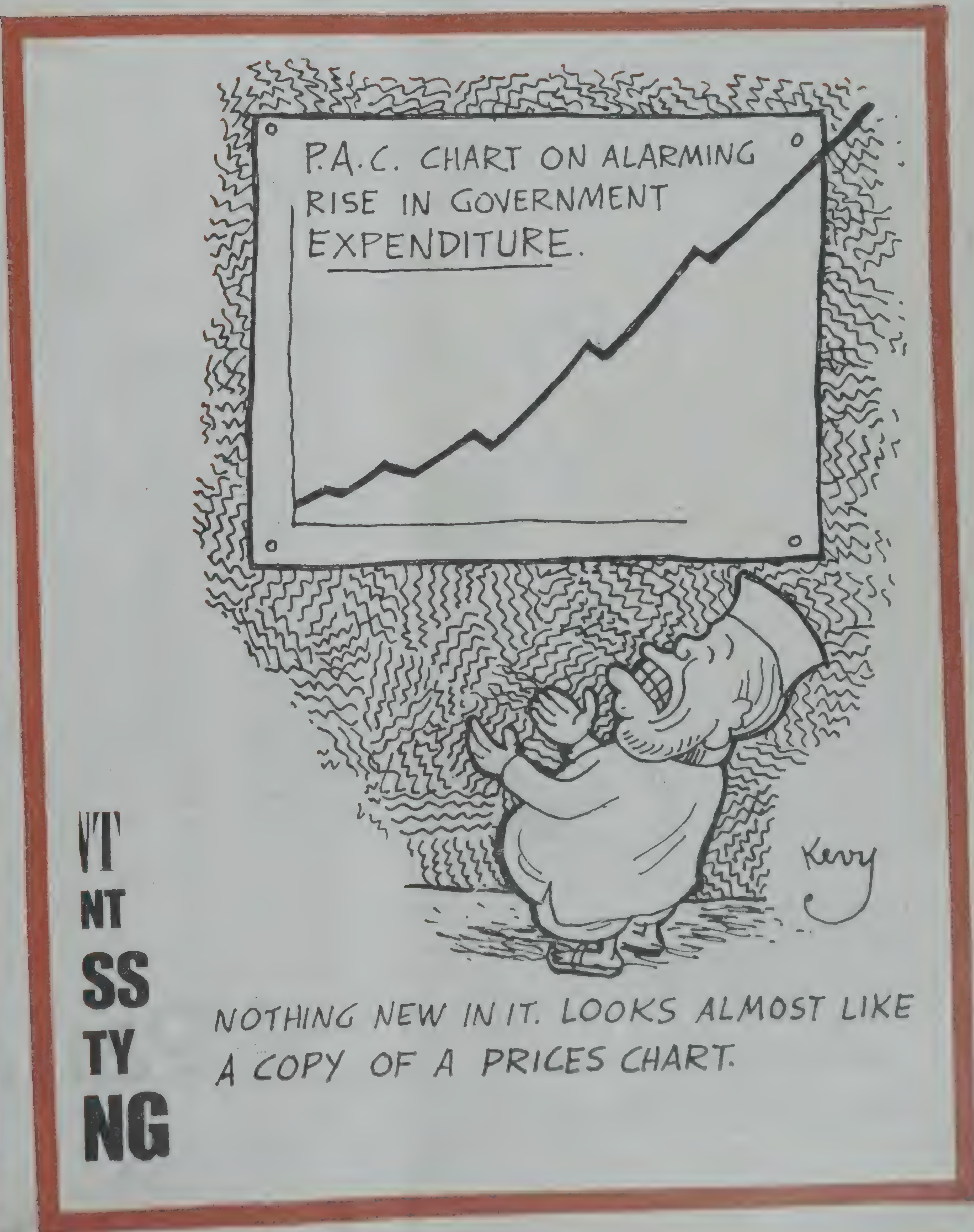

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SEPTEMBER 14, 1973

?ai talks big

MR T.A. PAI, minister for Heavy Industry, occasionally makes us wonder whether he is not living in a dream-world of his n creation. Not very long ago he took a business audience by surprise by declaring t the large or larger business houses were not interested in increasing production. ıen the president of the Federation of Indian Chambers of Commerce and Industry sequently joined issue with him, Mr Pai reportedly failed to substantiate his comnt or criticism. Last week, in the course of a speech delivered at a function organizin Madras in connection with the Silver Jubilee celebration of Ashok Leyland Limi-, the heavy-duty vehicle manufacturing firm, Mr Pai deprecated what he alleged to be practice of business houses applying to the government for expansion in a small :. He exhorted businessmen to think big and pleaded, rather strangely, that, even ıe government did not sanction big expansion plans, the blame should be that of the ernment and not of the sponsoring business organizations.

It is surely right to ask Mr Pai why the government should fail to approve of big ıansion plans from business houses when he, as a fairly senior minister of the government, is convinced of the need 'to think big'. Is there no obligation on him to thrash this matter with his colleagues in the cabinet and bring the government round to point of view that it should co-operate with business houses in thinking and acting ? Is it not common sense that businessmen will sponsor big schemes—an effort ich undoubtedly involves some expenditure of time, thought, energy and money— y if there is prevailing within the government a climate which is reasonably favoure to big planning on the part of the private sector?

Mr Pai's stand looks strange from another point of view too. His colleague, Mr Subramaniam, the minister for Industrial Development, got released through his ıistry a few days ago a set of Guidelines for sponsors of industrial projects. The main rpose of this exercise was to describe and explain the government's policies and ɔcedures for industrial licensing and allied matters to the particular benefit of small medium industrialists and 'young' or new entrepreneurs. The significance of this blication is that it emphasizes the central point of the government's approach to lustrial licensing which is that most of the new industrial activity, which is to be ex:ted in the coming years, will have to take place outside the jurisdiction, so to speak, the large business houses or their big industrial schemes. Even otherwise, the go-rnment's basic policy of setting restrictive targets for various industries, combined :h its clear hostility to substantial expansion on the part of the large or larger business uses, has succeeded in erecting a stone-wall of obstruction which no businessman, ıo has anything at all better to do, should be expected to knock his head against. In : circumstances, we must doubt that Mr Pai is at all serious about sponsors of industrial ojects thinking big. In any case, it would be quite relevant to ask what Mr Pai himf has done in a positive and concrete manner during the months he has been minister r Heavy Industry to encourage or push through major private sector projects in any the industries for which he has ministerial responsibility.

Mr Pai made quite a few resounding statements in his Madras speech. He dec-ed that the only ideology must be that of production and asserted as his goal the struction of the sellers' market and the creation of a buyers' market by allowing exnsion of units and also new capacities so that there would be no monopoly r any product. May we ask what is stopping him except the policies and attitudes of e government of which he is a member? It is clear as daylight that, although even the ime minister is said to be worried about the stagnation of the national economy, the ɔvernment just does not have sense enough or strength enough to retrace the many rong steps that it has been taking. There is, in other words, no possibility whatsoever any major change being effected in the government's industrial policy in the present foreseeable circumstances. Mrs Gandhi's administration is bound to continue to drag ; feet partly because the prime minister herself is not clear-headed enough to realize hat needs to be done to reactivate the economy and partly because she and her adsers are unduly concerned about protecting her radical image from the snipers and ıarp-shooters in her party.

Even in spite of this undoubtedly serious limitation the government can still help dustries substantially to pick up momentum. Mr Pai himself claimed that the government was taking steps to see that the procedures in connection with clearing projects ıd not take more than 120 days or, where the MRTP Act was involved, more than six ıonths. This is a tale we have heard not once but many times and we would say it :raight to Mr Pai that all such ministerial assurances are not worth the breath expended n them so long as the government policy does not give effective authority to secretaes of ministries to function freely and fast in terms of declared policy decisions. As : is, these officials are too uncertain or timid to act in any manner which involves ssumption of responsibility and a corollary of this sorry state of affairs is that the secreıries are in no position to delegate powers to other officials down the line. The truth s that the administration has lost confidence in itself. We hope that, sooner or later, Mr Pai will be able to see this. Unfortunately, we dare not hope that he will also be able to persuade the government as a whole to see this too.

Excess liquidity helps

FOR THE the first time in the history of borrowing by the state governments, the Reserve Bank has succeeded in getting all the loans over-subscribed on the opening day. The response to the different loans was expected to be quite encouraging as the scheduled commercial banks, the Life Insurance Corporation and provident funds had ample funds at their disposal. It was not however anticipated that it would be possible for the institutional investors to find the whole amount on one day and it was felt that the list might have to be kept open for at least two days as had happened in 1972. There were also no maturing loans. What is more, a larger amount was involved and every government was proceeding on the basis that it would be in a position to accept subscriptions in excess of the notified amount up to 10 per cent.

The details relating to applications for the different loans indicate clearly that the monetary authorities are carrying out their operations in a captive market and precise instructions can be issued to the respective institutions for putting in subscriptions on a defined basis. This must be the reason why every loan irrespective of its size has been oversubscribed by 10 per cent or more marginally and all applicants will receive full allotment. The aggregate amount is thus a little more than 10 per cent of the notified amount of Rs 149.75 crores. It is indeed an eloquent testimony to the extremely comfortable state of the money market that even after the sizeable diversion of funds to the state governments the inter-bank call rate has been quoting around 4 per cent in Bombay. This is a clear indication that there were ample funds at the disposal of the commercial banks for subscribing to the state loans.

The excess liquidity of the banking system in the past few months has enabled the mobilisation of over Rs 550 crores in the form of central and state loans and bonds of electricity boards and financial corporations since the first week of May this year. This remarkable achievement would not have been possible but for the steady growth in bank deposits and the absence of any sizeable expansion of credit for procurement operations of the Food Corporation and other agencies. It has also been claimed that the additional cash balances maintained by member banks with the central banking institution under the earlier hike in the cash reserve ratio to five per cent have been truly immobilised. There is however no definite indication about how this has been achieved. If there was complete immobilisation the banking system has been obliged to segregate over Rs 750 crores on different accounts which is more than the fresh growth in deposits by at least Rs 100 crores. As there has latterly been a fast contraction in advances to industry and trade, all the operations have been carried out out of owned funds, and borrowings of member banks from the central banking institution during the week ended August 24 were only Rs 4.32 crores.

The Reserve Bank would seem to be keen on there being a continuing immobilisation of funds for several weeks even while permitting the state electricity boards to raise large amounts through their bonds. Already the Tamil Nadu Electricity Board has made known its intention to issue bonds for Rs 9 crores on the same basis as in other cases. The Andhra Pradesh Electricity Board will be issuing a second series of bonds on identical terms for Rs 6.75 crores. Other electricity boards will be following suit while the Industrial Development Bank may be asking for Rs 15 crores. The scheduled commercial banks will not have any difficulty in subscribing to the issues of bonds besides depositing additionally over Rs 110 crores with the Reserve Bank during the week ending September 22.

There will certainly be no problem of finding about Rs 300 crores for complying with the higher cash reserve ratio and investing also freshly in new bonds as the new growth in deposits and contraction in advances may be expected to be of this order. There is however speculation in money market circles about the strategy that will be adopted by the Reserve Bank in securing additional resources, for the central government. In spite of the latter's indication that there will be a pruning of Plan and non-Plan expenditure by over Rs 300 crores in the coming months and the state governments too will be reducing their outlays by over Rs 100 crores, there are many imponderables which can have an upsetting effect on the calculations of the union Finance minister.

It has not yet been indicated what will be the exact liability arising out of the implementation of the recommendations of the Pay Commission. Nevertheless in view of the suggestions that decisions will be taken after dis[illegible] with the representatives of the emp[illegible] yees unions and a more liberal treat[illegible] may be accorded to the lower paid m[illegible] bers of staff the additional expend[illegible] may be even Rs 175 crores in a full [illegible] It has not also been correctly [illegible] what will be the additional expendi[illegible] on food subsidies and what will be [illegible] quantity of foodgrains received by [illegible] of imports. The average cost of purch[illegible] es in foreign countries may easily [illegible] volve a subsidy of Rs 500 per [illegible] and the aggregate quantity may exc[illegible] 2.5 million tonnes in 1973-74 when [illegible] es are effected to the fair price [illegible] and if delays are experienced in procur[illegible] foodgrains out of kharif crops.

Since there has been a shortfall [illegible] procured foodgrains by over three mill[illegible] tonnes it may not be correct to assu[illegible] that the whole of the difference betw[illegible] the landed cost of imports and procu[illegible] ment prices will have to be borne as su[illegible] sidy. As there will be in any case a l[illegible] of Rs 200 per tonne on sales of foo[illegible] grains the additional liability will be o[illegible] about Rs 300 per tonne in respect of [illegible] million tonnes or Rs 75 crores.

The overrun in expenditure on th[illegible] two accounts alone will thus be Rs 2[illegible] crores. It is also unlikely that the econ[illegible] mies in expenditure may not measu[illegible] upto the desired levels. It will therefo[illegible] be necessary to find at least Rs 300 cr[illegible] es through reissues of new loans and [illegible] tensification of small savings campaign[illegible] the Reserve Bank is to succeed in its o[illegible] jective of avoiding fresh creation of cu[illegible] rency for meeting unexpected increas[illegible] in non-Plan outgo.

There is reason to feel that the mon[illegible] tary authorities are anxious to prevent [illegible] increase in money supply with the pub[illegible] caused by continued deficit financing a[illegible] a high level of government spending[illegible] this kind of thinking persists there m[illegible] not be any immediate reissues of earli[illegible] loans by the central government. It m[illegible] not also be necessary to offer for publ[illegible] subscription new loans as the Reserv[illegible] Bank is in a position to find the ne[illegible] needs of the government in various wa[illegible] and still retain indirect control over go[illegible] ernment expenditure. With the obse[illegible] vance of the revised cash reserve rat[illegible] balances of member banks will rise [illegible] over Rs 800 crores by September 22 an[illegible] it remains to be seen how the additio[illegible] al funds will be segregated and [illegible] bilised.

While it will be possible to find [illegible] what exactly will be the course adopte[illegible]

the Reserve Bank only in the light subsequent developments, there is und to be substantial investment in asury bills in October and even in the t half of November which will be pful to the centre in realising even 200 crores. Some portion of the in- tments in treasury bills will have to liquidated for meeting an increase in sonal demand for funds from indus- and trade after December. The ba- ce may still be maintained in treasury ls for observing the statutory liquidity io though the lending institutions will more happy if the holdings in treasury bills can be converted into terminable loans carrying higher interest rates. As the development in the money market have been taking place in an unexpected manner and there may be an upset in calculations if large quantities of food-grains have to be procured out of kharif crops, the monetary authorities will have to be alert and take appropriate decisions. The happenings in the coming months may be of an entirely different kind and new problems may arise if, simultaneously with an increase in agricultural production, there is greater industrial activity.

ndia and the enlarged EEC

IE OBSERVATIONS of Sir Christopher ames, Vice-President of the Commission European Economic Community, at press conference here last week should licate that the request of the govern- nt of India that the enlarged EEC ter the entry of Britain and Denmark o it early this year) should allow itain to continue its present import stem for our products at least till the d of 1974, is not likely to be acceded Apart from the fact that the effec- g of structural changes in the compo- ion and direction of exports of a untry takes several years, this plea d been made by our government on ground that the one-year respite pto the end of 1973) given for making ese adjustments on our part coincided th a year of tremendous difficulties, rticularly on the food and power fronts, ich apparently did not permit any gnificant adjustment to take place.

Britain would start introducing the EC import tariffs with effect from nuary 1, 1974. The alignment, of urse, will not be to the full extent at e stroke; the harmonising process ill spread over three years during which e Commonwealth preferences would gradually phased out. How far this ogramme, on which the enlarged EEC ems to have set its heart, will obviate e difficulties of countries such as ours, epends to a great extent on the overall riff wall of the EEC. Sir Christopher nted that whereas Britain would be oliged to impose EEC tariffs to the tent of 40 per cent with effect from nuary 1, on such vital exports from ere as jute goods and coir manufactures, forts would be made to reduce the verall EEC tariffs on these commodities quite substantially. The result of this, in the opinion of Sir Christopher, would be that the British tariffs would be very significant and whatever adverse effects they might have on our exports of jute and coir manufactures would be more than counterbalanced by the substantial reduction in the overall EEC tariffs.

Theoretically, this indeed can be a solution to our problems in regard to the above two items of export in the event of Britain not being allowed to extend its present import system till December 31, 1974. But an important fact to be noted is that not only these exports of ours are subjected to import duties in the EEC but also to quantitative restrictions. Indications are that even though the high import tariffs might be reduced by the EEC, the quantitative restrictions would continue. The adverse effects on our exports after duty adjustments, therefore, can be offset only if substantial relaxation is made in the quantitative restrictions of the EEC.

The generalised scheme of preferences will also have to be expanded to include many more items if the developing countries like ours are to be allowed to derive any significant advantage out of it. Sir Christopher disclosed that this matter was receiving the attention of the EEC authorities. So far as our country is concerned, as a sequel to Britain's entry into the EEC, the phasing out of Commonwealth preferences is bound to raise problems, not only for the jute and coir industries but also for a number of other items such as tobacco, oilcakes, cashew kernels, sugar, coffee, walnuts, fruits and vegetables. All these products, along with jute and coir manufactures, are excluded from the GSP of the EEC. The schemes of Britain and Denmark, which are the new members of the Community, are based on altogether different concepts. Unlike the EEC scheme under which ceilings are applicable for various imports of manufactures and semi-manufactures covered by it, the British scheme provides for unlimited entry into that country of all the products included in that scheme. The Danish scheme does not make any exception in the field of manufactures and semi-manufactures. Only time will show how far the EEC schemes will be synthesised with the GSPs of Britain and Denmark to include the above products which are of great significance to us.

Much more difficult to resolve, however, is the question of commercial co-operation between the EEC and our country. Already two rounds of discussions have taken place in this regard, but there appears to be wide divergence of views on the subject. The proposals of the EEC do not display wide enough vision. They do not comprehend distinction between an ordinary trade agree-

Eastern Economist 30 Years Ago

SEPT. 17, 1943

Dr Harry D. White, author of the United States Post War Monetary Stabilisation Plan, recently commented on our article on "The White Plan and Our Sterling Balances" in the issue of August 27 last. He agreed that the general interpretation put on his scheme by us was correct and also made authoritative clarification of certain points which had occasioned considerable confusion in many quarters in India.

Dr White confirmed our contention that the White Plan allowed us to convert our sterling balances into foreign exchange which would be usable in any market in the world. The scheme involves a freezing of our balances only in the sense that the Fund cannot within the limitations of its financial resources and consistently with its other functions and duties, purchase our balances all at once, but must necessarily spread the purchase over a number of years. Even we on our part must spread the purchase of capital goods etc., over four or five years, for it is unlikely that our economy can assimilate in one spasm capital goods valued at, say, Rs 1,000 crores.

ment and a commercial cooperation agreement. It is, of course, encouraging to note that Britain has appreciated our plea that the proposed commercial cooperation agreement between the enlarged EEC and our country should envisage the establishment of a system of international division of labour so that exchange of goods and services between the EEC and our country is promoted on a growing scale and on a balanced and mutually beneficial basis. It, however, remains to be seen how far Britain will be able to persuade the other members of the EEC to accept our viewpoint. It hardly needs to be stressed that even the success of the GSP depends a great deal on the recognition of the fact that cooperation between the developed and the developing countries has to take into account the endowments of the two sides. As the enlarged EEC accounts for nearly 40 per cent of the total world trade, great responsibility devolves on it for encouraging the trade of the developing world.

The developed countries appear to be preoccupied with their own trading problems at present due to the international monetary crisis. Not much may therefore be expected by the developing countries from the next round of GATT negotiations a few weeks hence. So far as the EEC and our country are concerned, some way has to be found by the end of the current calendar year for resolving differences as the alignment of British and Danish import tariffs has to take place at least to some extent on January 1, 1974.

Outlook for jute goods

Mr J.P. Goenka, chairman of the Indian Jute Mills Association, has congratulated the government of India on its "timely and bold step" in abolishing the export duty on sacking and reducing it on hessian from Rs 600 to Rs 400 per tonne. He has observed that these steps will have "a favourable psychological impact" on the world buyers of hessian in restoring their confidence in India's ability to promote the expanding usage of jute. The IJMA chief's statement is likely to create an impression that New Delhi has been very prompt in providing fiscal relief to the jute industry.

The fact, however, is that, as usual, the government has acted very belatedly in a matter which is of vital importance to the country's earning of foreign exchange. The government should have taken this decision at least in January this year, if not much earlier, since the export of our jute goods had drastically declined mainly because of their uncompetitive prices.

In March this year, the IJMA expressed alarm at the rapid erosion of the jute industry's export markets by synthetics. It pointed out that so long as the export duties, which constituted as much as 15 per cent of the average f.o.b. price of jute goods, continued to be levied, India's anxiety to rehabilitate jute in the world markets would "remain suspect". It stressed the fact that with the steady domestic inflationary pressure, the future of jute goods at the then existing level of prices was "virtually doomed". But New Delhi did not seem to take appeals and warnings seriously, until July this year when Moscow was reported to have expressed its displeasure at the higher prices of Indian hessian as compared to those of Bangladesh. The IJMA even publicly expressed its concern at the suspension of hessian purchases by Russia though no reasons were assigned for this decision. Subsequently, the Russian Trade Representative in Calcutta assured the jute industry at a press conference that Moscow had no intention to withdraw from the Indian market and that, on the other hand, our jute goods were in increasing demand in Russia and that their quality was also appreciated there. New Delhi's latest decision on export duty therefore seems to have something to do with persuasion (or pressure?) from Moscow. Nevertheless, some credit may be given to Dr Chattopadhyaya for successfully prevailing upon the ministry of Finance to remove and reduc[e] export duty on sacking and hessian. it appears that these products can forward to larger demand from f[oreign] countries.

The problems relating to the e[xport] of hessian in recent years did not to have received much attention. must have been, to some extent, d[ue to] the fact that the jute industry was concerned with the prospects of c[arpet] backing cloth which had been subj[ect] to severe competition from syntheti[cs]. is to be hoped that now both govern[ment] and industry will give proper atte[ntion] to the export promotion of hessian, has been, in terms of volume, the gest single item of export of jute g[oods]. However, due to high prices and petition from other sources, the expo[rt of] Indian hessian drastically declined 4,88,000 tonnes in 1964 to 2,88,700 nes in 1970. In the following year, it expected that the offtake of hessia[n in] foreign countries would substantially prove because of the inability of Ba[ngla]desh to keep up its exports. But, ac[tual]ly, the export of Indian hessian in amounted only to 2,75,000 tonnes. was largely due to the fact that the in[dus]try could not produce sufficient q[uan]tities of this item because of its con[cen]tration on the output of carpet bac[king].

It is significant to note in this text that the US import of Indian sian declined sharply from 1,55,000 nes in 1964 to 88,245 tonnes in and 82,800 tonnes in 1971. Consump[tion] of hessian in the USA fell sharply f[rom] 903 million yards in 1966 to 609 mi[llion]

ts in 1970 and 503 million yards in I. The US consumption of hessian in 2 was estimated around 400 million ls, a decline of 33 per cent from 1966. hoped therefore that the government consider the total abolition of the ex- duty on hessian in the near future. s is particularly desirable in the context he larger availability of raw jute and industry's decision to support its e at Rs 59 per maund compared to previous support price of Rs 42.50 maund.

The export duty on sacking should have been removed at least in the inning of the current year. Until a years ago, Indian sacking goods l to have a very large demand in eral countries especially in Russia, United Arab Republic, Sudan and, some extent, in other countries. But recent years, there has been a consi- able decline in the export of sacking ds. The adoption of bulk handling hods and the switch-over to other dia of packaging purposes have caus- a fall in the world demand for sack- . Our sacking exports fell from 4,000 tonnes in 1965 to 48,000 tonnes 1969 while exports from East Pakis- jumped from 1,81,000 tonnes to 9,000 tonnes in the same period. In '2 Bangladesh is estimated to have ported 1,57,000 tonnes of sacking. mpared to this, India's sacking ex- rts in 1972 were only around 1,20,000 nnes. The prices of Bangladesh sacking re said to be cheaper than those of dia by about five per cent.

It is relevant to recall that in Novem- r, 1972, the Indian Jute Mills Asso- tion had cogently argued the case for olving a new approach for the export sacking. It said: "The revival of de- and for Indian sacking in 1971 has abled many new excellent trade con- cts to be established and some old ks renewed. It would be in the vital erest of the industry to nourish and rture these contacts and connections a continuing basis, and the present ne is eminently opportune for the pur- ose in view of the friendly Bangladesh vernment's trade policy to discourage l forms of unfair competition, as a ken of which it abolished, within a few days of its take-over of the country's administration, the discredited export voucher system".

The jute industry has suggested that, apart from the removal of export duty, it will be desirable to provide some incentive in a suitable form to encourage the export of sacking. A high level of export of sacking will not only help the country to augment the earnings of foreign exchange but also provide an outlet for the lower qualities and grades of Indian raw jute and mesta. It was pointed out sometime back that the jute cultivators especially in Bihar were experiencing difficulty in getting a fair price for their product mainly because of the fall in demand for that kind of fibre due to the lower offtake of sacking.

Mr Goenka has assured the government that the jute industry "will spare no pains to make the best use of the opportunity now provided which, along with certain other steps we are taking on our own, should go a long way towards strengthening the industry's total export effort". He has not disclosed what exactly are the steps that the industry proposes to take to step up exports. Whatever they may be, they can succeed only if the West Bengal government is able to provide the industry with its requirements of power. During the current year till August 26, the jute industry lost production of over 30,000 tonnes valued at Rs 11 crores, 60 per cent of it being in foreign exchange. It is now more than three years that the jute industry has been hit severely by the sharp and sudden cuts in power supply. Cannot Dr Chattopadhyaya prevail on Mr Siddhartha Shankar Ray to evolve a scheme by which at least the jute industry (if not all export industries) is exempted from power cuts?

Some questions for D.P. Dha

S.P. Chopra

DISCUSSING THE foodgrains problem currently facing the country the minister of Planning, Mr D.P. Dhar, stated at a meeting with the Forum of Financial Writers in the capital on August 25, that the government would take all possible measures to make the take-over of wholesale trade in wheat a success. This was a mere reiteration of the viewpoint which had been expressed by him on various occasions during the past few weeks. What was worth noting was the new concept of planning which he had enunciated. "In planned development, it is impossible to achieve results unless you have full control over the economy," said Mr Dhar. The obvious implication was that the Planning minister was keen to bury the concept of "mixed economy" which had been the accepted basis of democratic planning in this country for more than two decades. If Mr Dhar has his way, the country will be on the road to Stalinist planning with all its severity, ultimately leading to planning minus democracy. Mr Dhar is however shrewd enough to know that the country at present is committed to planning for the obvious reason of securing efficient handling of available resources—which has not been the case so far—but is in no mood to say goodbye to democracy. Hence, how does he propose to have full control over the economy ?

bungled programme

The truth of the matter is that the government has bungled the wheat procurement programme in the rabi season. Left to the wholesale trade, the marketable surplus in wheat would have been procured at prices at which the farmer was willing to sell. Once the grain was in the godowns of the wholesalers, it would have been an easy affair to plan fair distribution and the country would not have been forced to embark upon massive imports of foodgrains. The much-needed grain was in the country but was scattered all over the villages in the producing states because the farmers did not think that the price offered by the government was remunerative enough keeping in view the rising trend in prices of agricultural inputs and consumer goods.

partial success

In the context of the wheat procurement programme, Mr Dhar made the categorical statement that the government had not taken the responsibility for distribution of wheat to all sections of society. The step which it had undertaken was designed to feed the weaker sections of population. He further said that the government had plans to devise a system by which it could lay its hand on the surplus foodgrains with the producers so that the vulnerable sections could be fed. He further stated that the programme had succeeded only partially. Pressed to elaborate his thesis, the Planning minister felt annoyed and made the forthright statement that the Planning Commission was an advisory body and its function was no more than giving advice to the government. In view of the scarcity of foodgrains in the country, the Planning minister felt that it was necessary to make the food economy broad-based and to evolve an efficient system of distribution so as to feed the vulnerable or weaker sections.

In answer to the criticism that no steps were being taken by responsible persons to implement land reforms, Mr Dhar expressed the view that this problem could not be handled by ministers or by "able, analytical men in the economic world". Surely he had in view the Harchand Committee report in Punjab which had pointed to the involvement of ministers, speaker of the legislative assembly and high officials in the land-grab loot in the state. However, the thesis that he put forward was that this problem could be solved only by the activation of a movement. Mere talking about it would lead the country nowhere. Hurriedly, he asked the jou ists "to do your duty of carrying movement". It is indeed ironic spokesmen of the ruling party, in of owning up their responsibility to dle the difficult problems facing country, such as the land reform me es, would like the aggrieved parties their sympathisers to start a move for tackling them. The electorate, h put its trust in Mrs Gandhi's go ment, wants her and her colleague take steps for the betterment of poorer sections of the community. so-called movement which has started in some cities for the restr on prices has already degenerated goondaism, leading to harassment retailers. Is Mr Dhar thinking of a milar movement for the implementa of land reform measures also. Perh the Forum of Financial Writers need another session with the Plann minister to comprehend his thinking this subject.

Regarding the impact of the re rise in prices on the programmes lined in the approach document, Dhar said that the whole exercise being re-done on project by pro basis. The view was put forward because the index of wholesale pr had moved up significantly in rec months, it did not follow that the phy cal as well as the financial content of Plan stood eroded in the same prop tion.

power development

In view of the difficult power sit tion faced by the country in the p few months, it was natural for journalists to seek additional infor tion in regard to the power programm being finalised by the Planning Comm sion for the fifth Plan period. Earlier the day, Mr D.P. Dhar had stated at seminar on power development organis by the Federation of Indian Chambe of Commerce and Industry that the ta get had been fixed at 36 million KV

› the Forum, the figure given was 33 illion KW though Prof. Chakravarty, ember Planning Commission, attempted hair-splitting exercise by saying that it ›uld not be possible to attain the target of 36 million KW and at best the untry might have that order of power pacity in the first year of the sixth five-ar Plan period. Obviously, the Planng Commission believes that both the iginal target of 40 million KW and the scaled-down target of 36 million KW were unrealistic in the sense that they would not be attained with the resources which had been earmarked for this purpose. It pointed to the tussle which was going on between the ministry of Irrigation and Power and the Planning Commission. If one were to go by the past performance of the ministry of Irrigation and Power, even the attainment of the target of 33 million KW would prove a herculean task, though it is understandable why the ministry, as in the past, has opted for an ambitious target. It is only through this technique that it can get increased allocation of funds. An analysis of the progress of power generation during the last 20 years has demonstrated very clearly that, whereas the allocated funds had been used, the expected generating capacity had in each Plan period been much below the target.

Indexing income tax: Canadian scheme

C. R. Thiagaraja Varma

HE CANADIAN government's budget r the current year contains a revoluonary proposal which far outweighs any the other features of the budget. The ıdget is designed to reduce unemployent and encourage faster growth, to duce inflationary pressures and offset e effects of past inflation, to increase al income and ensure older Canadians fairer share of prosperity and to conbute to more balanced economic exnsion among all regions of Canada.

The two major problems confronted the Canadian government are unemoyment and inflation. The government's approach to the problem of inflaon is to try to increase personal disposle income, to relieve pressures on those ho are hurt, to restrict the government's vn demands upon the economy and ove all to encourage self-restraint by l groups in their demands for higher inme. The government has recognised e fact that the fiscal policy responsive the twin problems of unemployment ıd inflation should provide needed stiulus in ways which offer maximum sistance to inflationary forces.

Canada's experience with inflation as less favourable in 1972 than it was 1971. The acceleration in consumer ices was concentrated in foods which se sharply last year. Though this was part due to local conditions, in large easure it reflected the world-wide maret forces pushing up the prices of ains, meat, sugar and other basic ods. Canada's gross national product 1972 rose by $10\frac{1}{2}$ to 11 per cent, its ersonal income per head by $10\frac{1}{2}$ per cent ıd the standard of living by $5\frac{1}{2}$ per cent as measured by per capita consumer expenditures less the effects of increases. Housing starts rose by seven per cent, 250,000 jobs were newly created compared 2,00,000 in 1971—an increase of 25 per cent—and farm income rose sharply. It is expected that, with fair crops, labour peace and international stability, the real growth of the economy in 1973 should be about 7 per cent.

Inflation is an expensive way of transferring resources from consumption to capital formation. It exaggerates existing income and wealth disparities and encourages the diversion of resources into riskless investment such as land speculation, hoarding of commodities, precious metal, foreign exchange etc, which are socially unproductive. Inflation is also the most deprecable form of injustice which in effect plunders the small savings of the people who are too poor or ill-informed to buy gold or land or equity shares. Over an extended period of time it not only reduces capacity of the middle classes to save but also saps the willingness of the rich to do so. In fact, under inflationary conditions all forms of monetary savings depreciate in value and are not worth holding on to. Taxation raises costs partly through discouraging productive efforts but mostly through making businessmen careless about costs; high levels of taxation subtly alter the entire political climate by making politicans financially irresponsible.

In order to offset the damaging effects of inflation on the tax paying public, the Canadian government has made many changes in the personal income tax structure. The income tax proposals for 1973 provide, among other things, for an increase of basic exemption from $1,500 to $1,600, an increase of exemption for a married couple from $2,850 to $3,000, a reduction of basic federal tax by 5 per cent with a maximum of $500 and a reduction of basic federal tax of at least $100. These measures have no termination date and they give maximum relief to those whose need is the greatest. As a result of these measures, three quarters of a million people are dropped from federal tax rolls.

Let us now come to the more important income tax measure which is of fundamental importance. This measure is the proposal to introduce from next year an inflation indexing system in connection with personal income tax. This new proposal is considered to be fascinating on its own merits and persistent inflation may make it the finest solution to a fundamental tax problem. The proposals reflects the bold and sensitive response of the Canadian government to a rather fundamental tax problem. The proposal will put Canada in the vanguard of countries with advanced tax systems. With the introduction of this change, Canada will join a very select group of countries which have eliminated the hidden revenues accruing to governments through the effect of inflation on a progressive tax system.

Indexing of the personal income tax will put an end to the erosion of purchasing power resulting from the interaction of inflation with the progressive tax system. The proposal will further

moderate the weight of taxes next year and in the future. Under a progressive tax system, which is widely recognised and adopted by most advanced countries as a sound and fair approach to taxation, as a person's income increases he pays greater percentage of the income in taxes. As his income increases from one bracket to the next the rate of tax on this additional income increases. But an increase in a person's income may be real or simply the result of inflation.

The object of indexing is to eliminate the penalty suffered by the tax payers in times of inflation when the existing tax system takes increasing amounts from personal income. In the words of Hon. John N. Turner, minister of Finance and member of parliament for Ottawa-Carleton, in the House of Commons, "if a man gets a 5 per cent rise in salary but the cost of living has also increased by 5 per cent, he has the same real purchasing power as he had before and nothing more. Yet the progressive tax system can leave him worse off then he was before because he has entered a higher tax bracket. What I want to do is to eliminate that unfair and unintended result from our tax system".

Under the proposed scheme, in each year an inflation factor would be determined based upon the increase in the consumer price index in an immediately preceding period and in each year the principal exemptions would be increased by the inflation factor. This would include the basic exemption, the marital exemption, the exemption for dependents and the exemptions for the aged and the blind and the disabled. In addition, every year each of the brackets of taxable income would be adjusted upwards by the inflation factor.

inflation factor

A person would no longer pay tax at a higher marginal rate simply because inflation swept him up into higher tax bracket. For example, if in a particular year, the inflation factor was determined to be 4 per cent then the principal exemptions would each be increased by four per cent. Similarly each bracket of taxable income would be adjusted upwards by the same percentage. If a tax payer's income rose by the same percentage as inflation then the increased income would not put him into a higher income tax bracket. Though the total tax would rise in absolute terms, it would remain the same in proportion to the higher total income. For a person on a fixed income, the result of indexing would be to reduce his taxes each year as prices rise.

A simple example may be given to illustrate the effect of indexing. Under the present system in Canada, a married tax payer with two children under 16 and a salary income of $8000 has total exemptions and deductions this year of $3,850 made up of the $3000 married exemption, two children's deductions of $300, the standard $100 medical and charitable deduction and the standard $150 employment expense allowance.

On his first $ 500 of taxable income this year he pays a federal rate of 15 per cent; on the next of $500 a rate of 18 per cent and progressively higher rates up the income scale. His marginal rate—the rate he pays on taxable income in the last bracket he reaches—would be 21 per cent. When his basic federal tax is determined in this way, a provincial tax is applied as a percentage of the federal tax with the percentage varying according to province. Finally, his federal tax is reduced by $100, the minimum amount of the new tax cut. Total federal and provincial tax for this tax payer, assuming the lowest provincial rate, would be $939.

increased exemptions

Assuming that the same tax payer's income increased four per cent to $8,320 and the inflation factor was four per cent, the result of the indexing system for him would be an increase of married exemption from $3,000 to $3,120, and an increase in the deduction for children from $600 to $624. With the standard deductions, his total exemptions and deductions would come to $3,994 instead of $3850. His first bracket of taxable income would be $520 instead of $500 and each of the next brackets would also increase by four per cent. The cumulative effect would be a total federal and provincial tax of $984 or almost precisely the same proportion of his income as before. His tax without indexing would have been $1027.

In the case of a person with fixed income, under the new system, his tax liabilities will fall as a result of the application of the inflation factor to the total exemptions and deductions and the tax brackets.

Clause 13 of the Notice of Ways and Means Motion to amend the Income Tax Act presented to the House of Commons on May 29, 1973, seeks to incorporate the system of indexing in the Cana tax structure.

The Canadian proposal expla above is a major innovation in tax losophy and practice. Though it is very complex, it will take some for the people and governments to just to it. It is true that the accurac the measure of consumer price inde frequently questioned. However it the advantage of being at least an es lished measure of the cost of living one that is easily understood. After a beginning should be made in this di tion without waiting for a perfect in number.

controversial proposal

This controversial proposal has ge rated much discussion in knowledgea quarters of Canada. In the May-Ju issue of the *Canadian Tax Journal*, P fessor John Bossons and Professor T mas A. Wilson, two economists at University of Toronto, argue that idea is a good one and would have t highly beneficial effects. According them, it would eliminate a number inequities resulting from the way in wh inflation now affects effective tax rat At the same time, it would also su tantially reduce the rate of growth of d ect personal tax revenues over the lo term unless such reductions were off by increases in tax rates. Through doing the proposal would increase pa liamentary control over tax rates. T economists have pointed out that the pr posal follows, in a number of particula similar indexing schemes incorporated Dutch and Icelandic tax laws in the pa two years and represents a radical shift the attitude toward the relationship be ween taxes and inflation. This shift h arisen from the stimulus provided by th world-wide acceleration in the rate of in flation since 1965.

Their study shows that inflation do not increase effective rates equally. Hig incomes are shielded by already bein close to the upper rates of taxation. Be cause the upper tax brackets are wid larger increases in income can be ab bed while remaining in the same bracke Moreover, concessional treatment fo dividends and capital gains also cushion the inflationary impact on the tax sy tem. Consequently, such inflationary increases fall most heavily on middle in come tax payers and on low-income ta payers with incomes just above the ex emption line.

The economists conclude that th

nefits derived would not be accom-nied by any significant costs, nor would plementation of the proposed adjust-ent of tax rates reduce the stabilising operties of the tax system. On the con-ary, they have asserted that the propo-l would slightly enhance the extent to nich the tax system helps to stabilise ctuations in real output, and the pre-nt contribution of the tax system to ost-push' inflation would be substan-lly mitigated. As a result of such effects, ey hope that the implementation of e budget proposal would prove bene-ial to macro-economic stability.

In this context, it may not be out of ace to refer to Volume 2 of the Report the Royal Commission on Taxation, hich went into the question of taxation Canada in 1966. The Commission in report on the use of the tax system to hieve economic and social objectives s expressed its strong opposition to tomatic adjustments in the tax struc-re tied to price indices. In the opinion the commission, such automatic ad-stments would impair the power of the x system to stabilise the economy. The mmission felt that taxes should be vied on current dollar income. However, has recommended a system of tax edits to offset the tax at the lowest in-me brackets. It has also recommen-d that such credits should be increased om time to time to offset the gradual duction in real income suffered by those ith fixed or low incomes as a result of the upward creep of prices.

In the context of this world-wide phenomenon of inflation, this particular development in the Canadian tax field is not only worth watching but also worth serious study by the other governments plagued by the problem of inflation. One of the objectives of any good taxation policy would be to maintain economic stability in the face of inflationary pressures and external price movements. In fact this has been the central problem of tax policy of not only developed countries but also the developing countries. In the developed countries with high per capita incomes, inflation does not produce the same economic and social distress as in the less developed countries.

The rate of Indian inflation in the past 12 months of 20 per cent according to the official price index, which may be an under-estimate, is abnormally high and something should be done to check this effectively. In just one month from May to June, the Consumer Price Index has shot up by nine points. This is the first time that the price index has registered such a sharp rise. In April the Consumer Price Index stood at 235, in May at 241 and in June at 250. According to a note prepared by the Finance ministry, which exposes the helplessness felt by the union government over the inflationary situation, the containment of inflation depended essentially on the success of the government's effort to bring about a better balance between aggregate demand and aggregate supply. What has aggravated the present situation is that while the last three years have witnessed a continued decleration in the growth rate of the national output, money supply with the public has been growing at an accelerated pace. As on June 8, 1973, money supply with the public amounted to Rs 98,333 crores and showed an increase of 14.6 per cent over the last year's corresponding level.

Though proposals like that of the Canadian government will not solve the problem of inflation as such, they will certainly provide some relief or other. Inflation is after all a kind of tax which satisfies none of the canons of equitable taxation. It is only simple justice that those who have been hurt by inflation should be offered some tax relief.

One is prompted to think that our government also should start thinking on the lines of the Canadian government. Though there were justifiable demands for raising basic exemption limit, for reasons best known to the government, the limit was not raised. Since we have given up the system of allowance based on marital status or dependent children and so on, we can at least think in terms of applying inflation factor to the basic exemption limit and tax brackets. This article is intended just to provoke some meaningful and useful discussion as to the utility or practicability of any such proposal in the Indian context.

Housing in the seventies

Dr S.R.K. Rao

HE INSIGNIFICANT role played by invest-ent in housing in our five-year Plans is vident from the fact that its share in the tal outlay which stood at 2.3 per cent the first Plan progressively declined to 1 per cent, 1.8 per cent and 1.5 per cent the second, the third and the fourth ve-year Plans, respectively. Unlike in any other industries, the gestation eriod of investment in housing is rela-vely short. Further, there has been ich a staggering shortage of housing in e country—both in the urban and in the ural areas—that there is no need to create" demand for the product. Lastly ivestment on a substantial scale in urban and rural areas would facilitate the achievement of the twin objectives of accelerating house building activity to wipe out housing shortages and providing ample employment opportunities to the unskilled and skilled workers.

We have no definite data relating to housing shortages, nation-wise and state-wise. At the beginning of the fourth Plan, the ministry of housing estimated that the housing shortage would be about 83.7 million units—71.8 million in rural areas and 11.9 million in urban areas, and the overall shortage would rise annually by two million units. It it estimated that a housing unit in urban and rural areas would cost Rs 10,000 and Rs 3,000 respectively. If we take into account the price rise since these estimates were made, our estimate of investment required in housing would be around Rs 40,000 crores to wipe out the existing housing shortage in the country. The performance of private and public sector agencies in this regard has been relatively insignificant. During the 15 years, 1966 over 1951, only 6 million housing units involving an investment of Rs 2,500 crores were constructed. At the state level, the situation seems to be worse. The state governments have the discretion to divert the housing funds to other programmes. Consequently even the meagre funds made available to the state governments in many cases were not fully utilised for constructing houses.

With the rise in population at the rate of about 2.5 per cent in the country as a whole, the demand for housing is bound to increase at a fast rate during the

This article is based on a paper submitted by he author to the Colloquium on "Housing and Building Activity in the Southern Region of India" conducted by the National Buildings Organisation, Government of India.

seventies. This would be accentuated further by fast spreading urbanisation. Unless measures are taken both at the national and states' levels, the problem of housing shortages which is already staggering in dimension, would become insoluble. If the backlog cannot be solved through radical and bold measures, at least the future demand for housing should be met with so that the "housing gap" might not widen further.

Housing in the seventies would pose a serious challenge to the country. The population is estimated to rise to 675.50 million by 1979; urban and rural population would touch the levels of 121.59 million and 553.91 million, respectively. Thus by the decade ending 1979, there would be an increase of 138.32 million in the country's population (24.90 million urban and 113.42 million rural).

minimum demand

Presuming that a household comprises five members (we hope that the present family planning drive would be a success) the increase in households by 1979 in the country would be 27.66 million, comprising 4.98 million households in the urban areas and 22.68 million households in the rural areas. This would be the minimum additional demand for housing units in the seventies.

National Sample Survey reports furnish data revealing the (subhuman) conditions under which people live. We assume that each household requires at least 300 sq ft floor space, both in the urban and rural areas, for living as human beings. On this basis 8298 million square feet (1494 million sq ft in urban areas and 6804 million sq ft in rural areas) of housing space has to be constructed during the seventies.

It is difficult to assess precisely the construction costs of housing units in urban and rural areas. Various factors such as land prices, prices of materials used, availability of controlled building material, demand and supply of constructional workers, regional variations in prices, etc. affect the overall cost of housing. It is wrong to presume that the rural housing costs are very low as compared with housing costs in urban areas. Therefore, we presume that while in the urban area the building cost is Rs 30 per sq ft it is Rs 20 per sq ft in the rural area. This excludes land prices which vary widely from region to region and locality to locality in the same region. On this basis, it is estimated that to meet the demand for houses emanating in the seventies, an investment of Rs. 18,090 crores (Rs 4,482 crores in the urban areas and Rs 13,608 crores in the rural areas) in housing would be necessary.

The ineffective role of the government, either at the national level or at the state level, is largely owing to the fact that government's share in total investment in house building is not significant. By and large, it is private investment that dominates housing activity both in the urban areas or in the rural areas. It is a truism that private investment is profit oriented and tends to flow into areas where the return on investment is relatively high. Thus, it concentrates largely in urban areas, that too in a few metropolitan cities such as Bombay, Delhi, Calcutta and Madras. Consequently large parts of rural and urban areas remain outside the purview of private investment. Even public investment, in the name of serving the lower income bracket or middle income bracket, largely caters for the needs of white collared workers in big and medium-sized cities. In the result, the shortage in housing snowballs and presents an insoluble problem.

socialised housing

The states should take measures to solve their housing problems without too much dependence on the centre. Many states in India are primarily rural in their complexion and thus their problem is much more difficult to solve since private investment would be reluctant to enter any rural housing scheme. The state government by itself cannot solve the problem with limited resources at its disposal. With a view to (a) compelling private investment to enter rural areas and (b) availing the vast scope to make profit in urban house construction activity, the state governments should socialise house construction activity in the urban areas. There is nothing radical in this suggestion; it is being successfully carried out in all socialist countries in Europe. To suit the Indian conditions we can adopt this measure with some modifications. The state government earmarks urban areas under its jurisdiction where no private investment in housing is allowed, except for residential purposes by the owner of the housing unit. Urban land which is not used for a specific period should be taken over by the state. The state government undertakes housing construction through a house building corporation. The initial capital would be contributed by the state government, the Life Insurance Corporation of India and commercial banks ... the resources of the housing corpora... would be augmented by the issue of deb... tures and bonds, public loans, borrow... from financial institutions, etc etc. T... door to enter the urban areas where ... rate of return is relatively high be... closed, private investment which ordina... ly seeks employment in housing wo... have three alternatives viz, (a) dr... towards rural areas, (b) employ at le... a part of it in the house building corpor... tion's bonds and debentures, and (c) se... other avenues in the private secto... While (a) and (b) would directly contrib... to ease the problem of housing in t... state, (c) would indirectly boost the state... economy. When even a part of priva... investment which generally is employe... in housing flows into other sectors of t... economy such as manufacture, extractio... or trade, the additional investment ... made would give a boost both to produ... tion and employment in these sectors ... the state's economy.

While the ownership housing uni... would be allowed to be constructed o... individual initiative and entrepreneurshi... the proposed corporation would buil... standarized housing units of different size... to meet the needs and capacity of diffe... rent strata of urban population. Give... the determination and drive, India ca... achieve what Harold Macmillan ha... achieved in the immediate years of post... war period in Britain as minister o... Housing.

close co-operation

To accelerate house building activity i... rural areas, housing finance should b... integrated with co-operative and bankin... finance. Now that 14 major commercia... banks are nationalised, such a measur... would be very effective. These institution... should break away from orthodox prac... tices and extend credit for housing acti... vity. Suitable facilities for refinance o... such credit should also be made availabl... for these institutions.

While many fiscal incentives are bein... given to encourage different types of sav... ings, there is no reason why savings in th... form of investment in housing should no... be encouraged by the government. Invest... ment in housing in rural areas shoul... enjoy not only tax concessions on th... return it fetches but also should be... exempted from wealth tax and deat... duties. The state governments on thei... part can exempt or give concession... regarding sales tax and excise duty on th...

puts for house building in the rural eas.

The "green revolution" in the country-le has brought about a spurt in rural osperity. However, the surplus of rrent income over consumption has en largely retained in the form of non-nancial assets such as gold, silver, wellery or precious stones. Nationalised nks have been endeavouring to siphon f this surplus in the form of deposits by pening branches on a large-scale in rural eas. Banks can offer housing deposits nder which if a person continues to ake additions to these deposits (not eecssarily at a fixed rate) every year for period of say seven to 10 years, he hould be assured by the bank that it ould extend to him a loan equivalent to ouble the amount of his deposit to be epaid over a period of seven to 10 years. uch a deposit scheme would induce a erson to start saving early in his career vith a view to possessing a house at an ge when his family responsibilities may ot allow him to save enough for this ourpose.

role of LIC

The Life Insurance Corporation, the argest single financial institution in the country's public sector, can also contribute its mite in solving the housing problem. At present it provides funds for housing purposes to state governments and facilitates loans to its policy holders. As such there is no direct participation by the LIC in housing activity. With a view to attracting the rural savings and expanding its own life business in the rural areas, the Life Insurance Corporation should enter the house building sector on a large scale. In fact the LIC is ideally suited for this role. It has greater access to individuals through its network of agents, field officers, etc. It has relatively vast funds at its disposal. Further, housing is an effective instrument for the LIC to boost regional economies. Housing provides a challenge to LIC to spread its net in the rural areas. The Life Insurance Corporation should embark on building low cost housing units especially for middle and lower middle income groups in urban and rural centres. These houses should be sold to those who take insurance policies. A person who takes a policy of a specified minimum amount would be entitled to occupy immediately a housing units built for that particular category of policies. The value of the housing can be amortized over a specified period of time by including it in the premium amount.

The main attractions for policy holder under this "Own your house by owning a life policy" would be (a) he would get a ready-made house for immediate occupation, (b) the risk of life would be covered and (c) he can make payment on instalment basis. This would save the middle and lower middle classes in urban and rural areas from being exploited by real estate speculators, moneylenders and middlemen. For this purpose the state governments can make their lands in urban and rural areas available to the LIC at a nominal or no price. The scheme if implemented would boost life insurance business in rural also and at the same time contribute to the solution of the housing problem. Constructional activity of this magnitude would lessen unemployment in rural areas especially when agricultural labour remains idle during off-season.

When continual investment in rural housing is kept on a firm footing in the states, ancillary industries such as brick kilns, lime and cement, concrete, plumbing, timer supply, carpentry and metal works also develop in the region providing more employment opportunties and incomes which in turn would contribute to the state's economic development. What is called for is a combination of determination and drive on the part of the states to tackle the problem. Housing should be recognised as a priority sector and should not be treated as a "residuary item" in the Plan outlay. Resources are a bottleneck no doubt, but it should not be allowed to thwart the efforts of the centre and the states to solve the housing problem in the country. By evolving different schemes outlined in this article at regional levels, suitable to local conditions, the housing problem can be solved at least partially during the seventies.

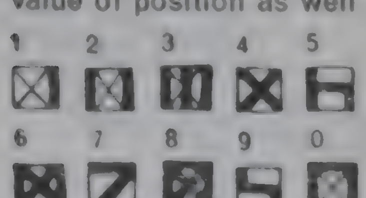
TEN SERVANTS OF MAN

How India gave the world one of its most useful inventions.

It is India that gave man the ingenious method of counting all numbers by ten symbols and freed him from the bondage of counting on his fingers.

Among these symbols the most modest, yet the most valuable of India's subtle gifts to mankind was the zero.

Derived from the square shape of the Yagnakunda used in worship, each of these symbols was given a value of position as well as an absolute value.



These numbers were in common use in India in Ashoka's time (273-232 B.C.). It was to be a thousand years later that Muhammad Ibn Musa al-Khawarazmi introduced them to Baghdad, from where they found their way to Europe.

Lending mathematical computations ease and simplicity, these symbols made possible the calculation of what before was incalculable.

Over the ages man's methods of solving mathematical problems have been growing to meet his complex needs. Today ingenious devices enable him to make intricate calculations in billionths of a second. Making it possible for him to attack problems in ways never possible before.

With computers.

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: Community and the possible inappro-
iateness to any member country of a
ommunity-level policy. For instance,
each of the years 1969-71 Denmark had
current account deficit of $ 400-550
llion, and the application of a policy to
luce the Community surplus could have
d undesirable effects on Denmark. The
ficulty of pressure on foreign exchange
serves would no longer apply since a
igle Community pool would exist. But
fering economic conditions in different
rts of the Community, as reflected in
t regional flows of goods and services,
ould require differing economic treat-
ent. An attempt to boost imports or
rb exports by means of a Community
licy would increase the deficit in a defi-
: area (a net importer of goods and
rvices) by widening the deficit and
mulating an even greater outflow of
nds. Retention of national balance of
yments statistics, though necessarily
der another name and in a different
rm, would be invaluable in assessing
ese flows and the size of the regional
oblem.

As progress towards economic and
onetary union is made, the greater will
the problem to be handled by regional
sistance. Capital will be able to move
eely and will be attracted away from the
ficit areas to more profitable surplus
eas. Whether or not there are conse-
ent flows of labour, the regional prob-
m would be intensified. If labour re-
ains in the declining regions, unemploy-
ent climbs; if it follows capital, the
sult is depopulation of declining areas
d congestion of prosperous areas. Such
nsiderations are seized upon by those
ho view integration with concern, the
ore so in the light of the record of
tional governments in dealing with these
oblems and of the slowness of develop-
ent of a Community regional policy.
ormulation of the EEC regional policy
ust be given high priority on the road
economic and monetary union.

III

Economic Aids and International Payments

Development aid always tends to
ceive close scrutiny in the richer coun-
es when balance of payment
oblems arise, and yet there is still un-
rtainty concerning the overall effect of
d programmes, and also of private
vestment in the developing countries,
the international payments situation.
rthermore from the point of view of the
veloping countries themselves, the terms
which aid is extended can also produce difficulties in the management of their external payments.

Efforts to measure the effect of aid on the balance of payments of the donor country run up against several problems, since a large part of economic aid results in further currency flows which may benefit the overseas account of the donor. To keep the picture in perspective, it is worth noting that the total of UK gross official aid in 1971, at £ 277 million, was less than two per cent of the total of imports. In fact, the year-to-year changes in the UK current balance during the 1960s were, more often than not, larger than the total amount of official aid extended in the year.

the net aid

Where aid takes the form of loans, and also in the case of private investment, which is included in the UNCTAD target for aid from the developed nations of one per cent of GNP, a first move in estimating the balance of payments cost is to obtain the net figure, after deducting the reverse flow of interest, repayments and dividends. Thus the figure of £ 277 million for the United Kingdom's official aid in 1971 should be reduced by £ 42 million for amortisation and £ 32 million for interest to give a total net official flow to developing countries of some £ 203 million.

However, even where aid is given in grant form, the foreign exchange cost is partly counteracted by any exports from the donor country on which the aid is spent. To reinforce this effect, during the 1960s increasing proportions of bilateral aid were tied to purchases from the donor country, although the effectiveness of tying is restricted by 'switching', where the recipient directs tied funds towards buying goods which would have been bought from the donor anyway, releasing free foreign exchange for purchases elsewhere. Nevertheless, tying is recognised as reducing the efficiency of aid to the developing countries, and prior to the international monetary and trade measures taken to protect the US balance of payments in 1971, discussions on the freeing of aid had been proceeding in the Development Assistance Committee (DAC) of the OECD. In fact, even in the absence of tying, there is no doubt that a significant proportion of aid returns in the form of export revenues.

On the other side of the coin, the major balance of payments problem for the developing countries in the context of development assistance has been the cost of debt servicing. This cost rose by nine per cent per annum in the 1960s, while their foreign earnings from goods and services grew only at about 7.5 per cent and GNP at about five per cent a year. By the end of the decade the figures had reached the order of 15 per cent, 10 per cent and six per cent respectively. The concern of the aid-giving countries and agencies with the problem is reflected in the inclusion in the recommendation adopted by the DAC in October, 1972, of a target of at least 84 per cent of official development assistance to be given in grant form.

Sources and acknowledgements : The foregoing is summarised from a report in the latest issue of Barclays Review (54 Lombard St., London EC3P : 3AH) but the bank is responsible neither for the emphasis of my summary nor for my interspersed comment based on a variety of sources.

Facts overtake plans

E. B. Brook
Vienna

Most of the Europeans have returned, bronzed, a little poorer and a good deal worried from their holidays to complete what is, or was to have been, the Year of Europe—when the enlarged Common Market would have evolved a united monetary policy, possibly even a common currency and the United States of western Europe would be turning an independent face towards both the USA and the communist east, which begins in the middle of Germany. Instead, the holiday-makers, unlocking their front doors, find the world waiting hopefully but not too expectantly for the IMF and World Bank meeting in Nairobi to evolve a formula to end the monetery fevers that have played havoc with exchange rates and the individual's own money for the better part of ten years, no common policy in Europe over monetary policy, haggling between France and West Germany over the Common Agricultural Policy and Britain and Italy waiting expectantly in the wings for large benefits under the Market's regional development policies which may be long in coming. Instead of a united Europe, there is a west Europe snuggling tighter than ever under its national sovereignties, a United States suffering loss of self-esteam and self-confidence because of Watergate and kindred odd activities and a communist east, more tightly controlled internally than for 20 years, confidently expecting co-operation from the USA and Japan as well as from the most eager beavers in France and Germany, dropping in on the Common Market with suggestions of a working arrangement.

loss of confidence

It is not at all the Europe promised by the Paris summit nor are the leaders who met at that summit last year so confident of themselves as they were at that time. The British holiday-maker has gone home to find excessively high and rising mortgage rates and almost impossible overdraft charges, with a government seeming to lose some public confidence because it seems unable either to set its economic house in order or to pluck up courage to save trouble by leaving its Irish Common Market partner and the majority protestant north to settle their own troubles. If Mr Heath looks a little smaller, President Pompidou has also enough trouble on his hands with typically violent French labour troubles in the Lip watchmaking factories and deadly animosities between French workers and imported workers from Algeria and other parts of Africa. Both are distrustful of Herr Brandt who is being skillfully manoeuvred into ever more political concessions to keep his "ostpolitik" going. They are unsure, dispite his repeated assurances that West Germany is founded in NATO and the Common Market, if Herr Brandt may not find, despite himself, his interests drifting steadily eastwards, especially if Europe is unable to present a united commercial front to the United States, a front of which there is no sign.

communist influence

At home Herr Brandt, though able to boast of a 2.93 billion Deutschmark trade surplus in July—up 80 per cent from June and 81 per cent from a year ago—has begun September with the task of helping to settle disputes between West German mammoth firms and their imported labour, mostly Yugoslav and Turkish, with a number of violent Spaniards thrown in to make the autumn in West Germany warmer. As usual in West Germany, every expression of dissatisfaction is attributed to subtle communist infiltration. Very much on the contrary, the dissatisfied "guest workers" (even more politely, "temporary citizens") want no truck with either the small West German Communist Party or any other communists nor with their trade union bosses, of whom they have had quite enough as tepidly useless bureaucrats seeking only a place for themselves on company boards as representatives of labour. They are dissatisfied also because of the ever rising cost of living in West Germany.

Their dissatisfactions are shared by the West Germans. The cost of living in West Germany rose by 7.3 per cent during the first half of the year and the cost of food is up by one-fifth on last year's prices. Prices of industrial consumer goods have gone up by six per cent and for service industries and repairers by 7½ per cent. Despite the revaluations of the mark imported produce is nearly one-fifth more expensive in West Germany than this time last year. One result is an increasing distrust of the value of money, a flight from money in the form of buying (often unnecessarily) material assets and a heavy increase in private debts. Private West German households had 35 billion marks "on the slate" at the end of 1971 and 43 billion at the the end of last year. The amount of new debts being added to this huge total is far more than the amount of cash available for consumer spending. This is a
ment especially alarming to G
who experienced exactly the sam
tionary movement in 1923.

The big West German manufa
concerns are turning their thoughts from
traditional pattern of seeking ever bi
exports to investment abroad and to s
ving their labour problems not by the
method of imporitng labour from
nearer poorer countries but, as menti
earlier, to moving German manufa
centres to countries in which there is
ple and intelligent labour. Two or
concerns have already set up abroad—
in Singapore and another in Greece
others in South America. West Ger
newspapers nowadays show a m
more intelligent interest in southern A
parts of Africa and, especially, south
central America than is exhibited by
British press.

There is a movement, also, of indus
across the European frontiers. There
as much German industry in Austria
the Austrians will tolerate, the Swedes
manufacturing in Portugal and last ye
alone, 200 Dutch firms moved south in
Belgium where labour laws enable mu
better employer-labour relations than
Holland itself, where the laws are ob
tructively complicated. Of foreign man
facturing concerns in Belgium a go
27 per cent are Dutch.

buying US industry

The west Europeans, particularly
Swiss, are also taking advantage of
present and probably temporary che
ness of American shares to buy into U
ted States industry in a big way. In
six months ending April this year fore
chiefly European, acquisitions and exp
sions in the United States amounted
1,500 million dollars and the value
direct investments in the USA owned
foreigners has nearly doubled in the
ten years to an estimated 14,000 mil
dollars in 1972—with every indication
growing in this decade. British, Scan
navian, West Germany's Siemens a
France's Michelin and Italian Likui
firms are planning to build plants in
USA where the rate of inflation growth
slower and where labour costs increa
less dramatically.

Facts have overtaken the plans for
united Europe, a continent which
creasingly looking eastwards and
wards for security and profit in m
ture and correspondingly alarmed b
own expensiveness.

It is impressive evi-

lence of the moral bankruptcy of the rime'minister's party that Mr Darbara ingh could be prevailed upon to resign s Speaker of the Punjab Legislative ssembly only on the condition that the Congress high command simultaneously xonerated him of the charges levelled gainst him by the Harchand Singh Comnittee. The union Home minister, mong others, may deny of course that here has been any such horse trading, ut he will simply not be believed. eople know of what stuff the politicians who are ruling the roost today are made. hey will therefore be in no hurry to oncede that Mr Darbara Singh's resignaion has been prompted only by the high nd noble notion that Caesar's wife hould not only be above suspicion but hould not even have come under uspicion. *The Statesman*, surely, cannot e alone in wondering 'why Mr Darbara ingh should choose to resign if he is nnocent'. At a time when Mrs Gandhi eeds more than ever to persuade public pinion that her party has not become the owest common denominator of standards n public life, it is a pity that she should e so ill-served by those who are around er. If Paris was worth a mass, Chandiarh, I presume, is, in Mr Dikshit's view, worth a lie or two.

Instead of contenting

self with being simply a newspaper, *The tatesman*, I see, has lately become a ews-maker as well. Its difficulties with he staff reporters and sub-editors working n its New Delhi establishment provided rist to the mill of some members of the ok Sabha at the fag-end of the monsoon ession of Parliament. They readily vailed themselves of this opportunity to abour their pet theme of 'delinking newsapers from big industries.' The Speaker, Mr G. S. Dhillon, pleaded that the disussion should not stray from the specific uestion before the House which related o the 'situation' at *The Statesman's* New Delhi office, but he had little chance gainst the minister of Information and Broadcasting who gleefully volunteered o assert that the government was comnitted to the concept of 'delinking' and hat it hoped to bring forward legislation for the purpose before long. Mr I. K. Gujral added in full measure that it was very unfortunate that the articles of association of *The Statesman* gave powers to the managing director to enforce policy and not the editor.

The minister of Information and Broadcasting is no doubt a very clever and articulate politician. What he has to say, therefore, is always interesting. On this particular occasion, however, what he did not choose to say was even more interesting. This tempts me to recall that there was at least one occasion in the past when Mr Gujral seemed to have somewhat different ideas about the managing director of *The Statesman* enforcing policy. I am referring to the days of the 'great split' and after, when *The Statesman* felt impelled to criticise frankly and in a forthright manner the role played by Mrs Gandhi and her associates in that affair and also the policies Mrs Gandhi's government announced or executed around that period. I have reason to believe that Mr Gujral who was then also minister for Information and Broadcasting, approached the managing director of *The Statesman* and asked him to exercise his authority to restrain the then editor, Mr K. Rangachari. On being told that it was for the editor to decide what the editorials should say or how they should say it, the persistent Mr Gujral, I further learn, then tried his luck with Mr Rangachari—and promptly got his comeuppance. In the new dispensation for the press which Mr Gujral envisages, there will of course be no such snags, for the managing directors or editors will all be nominated or appointed by a government in which Mr Gujral no doubt hopes to continue to be a minister in the ministry of Information and Broadcasting.

As for the merits of the

dispute between the management of *The Statesman* and its editorial staff in its New Delhi office, the real culprit appears to be the pyramidal hierarchy into which newspaper establishments have cast themselves on the insidious analogy of the government secretariat. While the question whether certain categories of the editorial staff should be given more facilities for doing their work will have to be settled between them and the management primarily in terms of the functional requirements of the profession, the basic issue of the democratization of the editorial staff establishment would still remain. This of course is a question which applies not only to *The Statesman* but also to other newspapers. That there is in newspaper offices a categorization of privileges and perquisites on the lines of the Hindu caste system, or worse, is of course no more and no less than the truth.

The sorry shape in

which the economy now is, thanks to the government's miserable mismanagement, seems to provide endless scope to Mr Piloo Mody for exercising his unique sense of the ludicrous. He celebrated the last day of the monsoon session of the Lok Sabha by jabbing and jibing at the unfortunate minister for Planning. After referring to the fact that unemployment in the country had been increasing with the successive five-year plans, he demanded to be told how many more five-year plans it would take the government to achieve total unemployment in the country. Mr Dhar of course was in no hurry to satisfy Mr Mody's curiosity and it is extremely unlikely that he will ask the back-room boys of the Perspective Planning Division of the Planning Commission to work out the arithmetic for an answer. May I therefore express an opinion? It seems to me that there will never be total unemployment in this country however numerous the five-year plans are or however worse each one of them may be than its predecessor. This is for the simple reason that at least the tribe of file-growers and pen-pushers in the government is bound to go on increasing like Abou Ben Adhem's.

The Nagamani case is

getting curiouser and curiouser. Perhaps partly because of the widely expressed misgivings in the public mind that the official status of the principal accused as a senior IAS official in the state government—he is now under suspension—might come in the way of the crime being properly investigated and the criminals effectively prosecuted, the Central Bureau of Investigation sent one of its seniormost officials to Patna to look into the evidence against the suspects and other relevant papers. So far so good but whereas the state government had reportedly suggested quite some time ago that the CBI should take over the investigation, New Delhi has been unduly delaying a decision.

VB

MOVING FINGER

TRADE WINDS

Borlaug on Food

DR. NORMAN Borlaug, an authority on wheat and maize, recently asked the economists to help adjust prices in a manner that they meet the cost of production in order to stimulate growth of foodgrains production and productivity. Inaugurating the 12th All India Wheat Research Workers Conference at the Indian Agricultural Research Institute recently Dr Borlaug stated that the modern trends in determining procurement prices of foodgrains in some regions were disturbing and may contribute to a steep fall in production.

The rate of growth achieved by India during 1964-72 was a unique achievement, he said. The annual production rose from 12 million tonnes in 1964 to 26 million tonnes in 1971, an increase of almost 136 per cent. Discussing the world wheat situation, he urged the delegations that whatever they decided in terms of a strategy must be put into the hands of the farmers in the form of a package programme. Coupled with the population boom all over the countries such as the Soviet Union, China and Australia the world foodgrain markets had been drained out resulting in soaring prices. This he said, was a world wide phenomenon and not peculiar to India alone. Dr Borlaug said the problem today was not to bring more area under cultivation but maximum exploitation of the existing cultivable area. For this, judicious use of fertilisers, seeds, pesticides and other inputs was necessary. He said studies had shown that nearly 99 per cent farmers in India were not using fertilizers. He urged the conference to ensure that use of fertilizers was encouraged as much as possible and adequate quantity of fertilizers provided to farmers at reasonable prices to make the programme successful. He strongly advocated building of larger buffer stocks of foodgrains. One of the reasons which made the present crisis bearable was the 9.4 million tonnes buffer stocks built up by India during its bumper 1971 harvest.

Unit Insurance Plan

Unit Trust of India has declared a dividend of 70 paise per unit under its Unit linked insurance plan for the year ended June 30, 1973. The plan is attached to the Unit Scheme 1971 which has a separate portfolio of its own distinct from that of Unit Scheme 1964. In accordance with the provisions of this plan, the dividend is to be automatically reinvested in further units and hence no dividend warrants are issued. The Unit linked insurance plan is a contractual savings plan for ten year periods for a minimum of Rs 3,000 and a maximum of Rs 12,000 and gives investors the advantages of regular investment in units together with the benefit of life insurance premia, contributions to provident fund etc. in accordance with the tax concessions announced in the Finance Act, 1972.

West German Assistance

A report was published recently from East Berlin (GDR) alleging that the government of the Federal Republic of Germany might not fulfil its commitments of financial assistance to India of Rupees 96 crores under the agreement signed in New Delhi on August 28, 1973, unless the Indian Parliament first "watered down" the Foreign Exchange Regulation Bill. This contention is entirely false. The W. German government, it has been pointed out, will carry out its commitments under the agreement. Investment decisions by private German companies are a different matter; they are not affected by the Federal government's foreign aid contracts.

US Grants for Rural Electrification

United States Ambassador, Mr Mr. Daniel P. Moynihan presented a check for Rs 15.1 crores to Mr B. Venkatappiah, Chairman of the Rural Elecrification Corporation, to help finance the expansion of its activities. This is the fourth and last instalment of US grant of Rs 105 crores to this programme, the agreement for which was concluded in July 1969. The US grant comes from ruppees generated by the sale of agricultural commodities supplied to India under the PL-480 programme. This grant represents some 38 per cent of the total expenses which will be incurred by REC this year.

Power Equipment for Malaysia

In a global bid, BHEL Tiruchirapalli has secured the third export order from the National Electricity Board of the States of Malaya to completely design, manufacture, erect and commission a 30 MW boiler (300,000 lbs per hour) and ancillary plant for the Sultan Ismail Power Station, (final extension) in Malaysia. The value of the order is around Rs 109 lakhs. This order is for the supply of the 6th boiler in Malaysia and the third contract in series from the same customer, viz., The National Electricity Board of the States of Malaya. The first of the 60. MW boiler at Tuanku, Ja'afar Power Station Stage II for which the order was obtained in January 1970 has since been commissioned and connected to the grid on 18th August 1973. The second of the 60 MW boiler under the same contract is also read and awaiting commercial op ration

Ashok Leyland for Hongkong

Ashok Leyland has pla to export for the first tim double-decker buses. The pro totype is already under test an negotiations are under way fo exporting 12 vehicles in the fir instance to Hong Kong. Th company's expansion program me to double the present capa city of 5,000 Comet an 1,000 heavy-duty vehicles is ex pected to be cleared by th government. T'his was an nounced by the company executive director, Mr K Ramaswami, on the eve of th inauguration of the silver jub lee celebrations recently.

US Trade Balance

There was an improvemen in the United States' bas trading with other nation showing a surplus trad balance of 106 million dollar After two consecutive years o large trading deficits, a small su plus was reported in the secon quarter. The July figures re leased recently provide furthe evidence of improving trad situation of the United States Increased foreign purchases o machinery and industrial sup plies was the key variable an agricultural exports declined despite increasing prices.

Review of Tourism Corporation

The National Tourism Board has appointed a study group to consider restructuring of the India Tourism Develop- ment Corporation to enab it to play the role of a mu dimensional organisation. The study group will be headed by Mr Romesh Thapar, ex-C man of the ITDC, and will in- clude the Director General Tourism, the present Chairman- cum-Managing Director of the ITDC and two non-official ex- perts.

Purchase Advisory Council

The 18th meeting of the Central Purchase Advisory Council was held on Septem 6 in Vigyan Bhavan,

Delhi. Mr Shah Nawaz Khan, union minister of Supply, presided. The Council advises the government on general policy and procedural matters relating to the Central Purchase Organisation as well as on development of industries through government purchases. The Council also advises the government in planning procurement of essential requirements, achieving maximum utilisation of domestic resources and maintaining close and continuous touch with the industry.

Concession to Industry

Twenty per cent initial depreciation will be allowed for machinery or plant installed after May 31, 1974 for power generation or distribution; for construction and for the manufacture of a selected number of items. The initial depreciation will be allowed for new ships or aircraft acquired after May 31, 1974. Subject to certain conditions, initial depreciation will also be allowed for machinery or plant installed after May 31, 1974, for power generation or distribution; for the construction and for the manufacture of a selected number of items. This is one of the main provisions of the Direct Taxes (Amendment) Bill which was introduced in the Lok Sabha on September 3. Since initial depreciation is being allowed from May 31, 1974, it is obvious that it will replace development rebate which is being withdrawn from May next year. The Bill does not refer to development rebate.

The tax concession is intended to encourage industries in 22 sectors throughout the country. Development of backward areas and promotion of research and development and exports are also covered by the tax concessions proposed by the Bill. The concession, providing for "deduction, by way of initial depreciation, of a sum equal to 20 per cent of the actual cost of new machinery or plant (other than office appliance or road transport vehicles) installed after May 31, 1974" for tax calculation is to be extended to the following industries: (1) Iron and steel (metal). (2) non-ferrous metals, (3) ferro-alloys and special steels, (4) steel castings and forgings, (5) thermal and hydro power generation equipment, (6) transformers and switch gears, (7) electric motors, (8) industrial and agricultural machinery, (9) earth moving machinery, (10) machine tools, (11) nitgogenous and phosphatic fertilizers, (12) soda ash, (13) caustic soda, (14) commercial vehicles, (15) ships, (16) aircraft, (17) tyres and tubes, (18) paper, pulp and newsprint, (19) sugar, (20) vegetable oils, (21) cotton and jute textiles and (22) cement.

The Bill provides that a 20 per cent cut in income tax will be allowed for setting a new industrial undertaking or a hotel in backward areas. The backward areas will be specified fot the purpose. Awards, given for literary, scientific and artistic work or for proficiency in sports will be exempted from income tax, provided these awards are either instituted by by the central government or approved by it. Rewards made by central or state governments in public will also be exempt. Salary to research personnel engaged in research related to business carried on by the taxpayer or related to its inputs, will now be allowed as a tax deduction. The provision applies to salaries given for three years preceding the commencement of the business. Weighted tax deductions will be allowed for sums spent on sponsored research. Weighted deduction for export market development is being enhanced.

Guidelines for Industry

In a press note dated February 2, 1973, announcing certain decisions on Industrial Policy, it was stated that in the implementation of the licensing policy the government will ensure that licensing decisions conform to the growth profile of the Plan and that techno-economic and social considerations such as economies of scale, appropriate technology, balanced regional development and development of backward areas are fully reflected." It was also stated that it will be the government's objective to maintain a durable framework of licensing and other connected policies and to further streamline licensing and connected procedures, whenever necessary, so as to expedite the investment process in all its stages. In addition, it was intended to enlarge and intensify a variety of positive measures designed to promote the growth of small and medium entrepreneurs.

In pursuance of these considerations, the government has decided to bring out annual guidelines on industry, based on detailed and up-to-date industry-wise reviews with reference to the priorities and targets envisaged in the five year and annual Plans.

The first of such guideline has just been published in the form of a handbook, Guidelines for Industries — 1973-74. This publication is intended, in particular, for small and medium entrepreneurs needing information on the status and projected growth of particular industries.

The first part of this publication explains the industrial policy and procedures in some detail, and the second part sets out detailed guidelines for selected industries for the guidance of entrepreneurs. As many as 110 industries under various major industry groups have been covered. While an attempt has been made to cover industries of current priority, the coverage has necessarily been limited by the ready availability of detailed information.

The present guidelines, which are for 1973-74, will be brought up-to-date and amplified and issued towards the beginning of each financial year in future.

The handbook is for sale at Rs 10 per copy and will be distributed by the Indian Investment Centre, Parliament Street, New Delhi.

Canalisation of Bulk Drug Imports

The union minister for Petroleum and Chemicals, Mr D. K. Borooah, recently told the Parliamentary Consultative Committee attached to his ministry that while the number of bulk drugs imported through the State Trading Corporation had increased from 15 in 1970-71 to 36 in 1973-74 and all drugs whose imports were of substantial value had been canalised, the government would like to further expand the scope of canalisation and include in the list as many drugs as possible. The minister stated that it was only logical that when the drug prices were controlled, there should be some control also over the raw materials that went into the production of these drugs.

The minister informed members that a committee was being appointed to go into the various aspects of the drug industry. The committee will comprise Members of Parliament and experts who would

take comprehensive view of the entire subject which involved a number of problems, and would come up with their recommendations. Mr Borooah also informed the members that the committee which will also go into the question of drug price would consider the implications of use of internationally known brand names by foreign drug firms for selling their medicines.

Referring to plans for the growth of the industry, Mr. Borooah said that it was proposed to increase the production of drugs from Rs 300 crores in 1972-73 to Rs 600 crores by the end of the fifth Plan. So far as the production of bulk drugs was concerned, the present level of production was about Rs 50 crores and the share of the public sector in it was about Rs 18 crores or roughly 40 per cent of the total drug production in the country. In the case of formulations, public sector production was of the order of about Rs 20 crores which was roughly $7\frac{1}{2}$ per cent of the total formulations produced. The objective of the fifth Plan was to increase the production of bulk drugs from the present level of Rs 50 crores to Rs 200 crores by the end of 1978-79.

Increased Rabi Production

A target of 10.3 million hectares for high yielding varieties of wheat during the year 1973-74 as against 8.5 million hectares for the year 1972-73 had been accepted by the agricultural experts who assembled here to finalise the strategy for Rabi production programme. The conference was inaugurated by Mr. A. P. Shinde, minister of state for Agriculture. Mr. T. P. Singh, Secretary, ministry of Agriculture, presided. The Conference decided that the total land to be utilised for Rabi production programme should be nearly 45 million hectares; the crop-wise allocation being wheat 20 million hectares, rabi pulses 13.25 million hectares, rabi jowar 7.1 million hectares, summer rice 2.5 million hectares and barely 2.2 million hectares.

The state governments were asked to concentrate efforts for optimum use of inputs in selected regions viz. high potential lands like command and assured irrigation areas. They were also asked to identify the areas and prepare a priority programme in detail for necessary action.

The states were advised to arrange the distribution of inputs in these areas to the maximum possible extent. It was also strongly felt that the states should make special efforts for the control of weeds as it consumed a substantial quantity of inputs. Plant protection measures were also to be taken in time in selected areas.

The Conference agreed that special training of staff and farmers should be organised on the efficient use of fertilisers, manures, pesticides, weedicides and irrigation water. Campaigns for soil and water testing should be taken up on an immediate basis in areas selected and farmers advised well before Rabi sowing. It was agreed that states should mount a big campaign for balanced use of fertilisers, particularly more application of phosphates and potash and also zinc sulphate where zinc deficiency had been noticed.

Names in the News

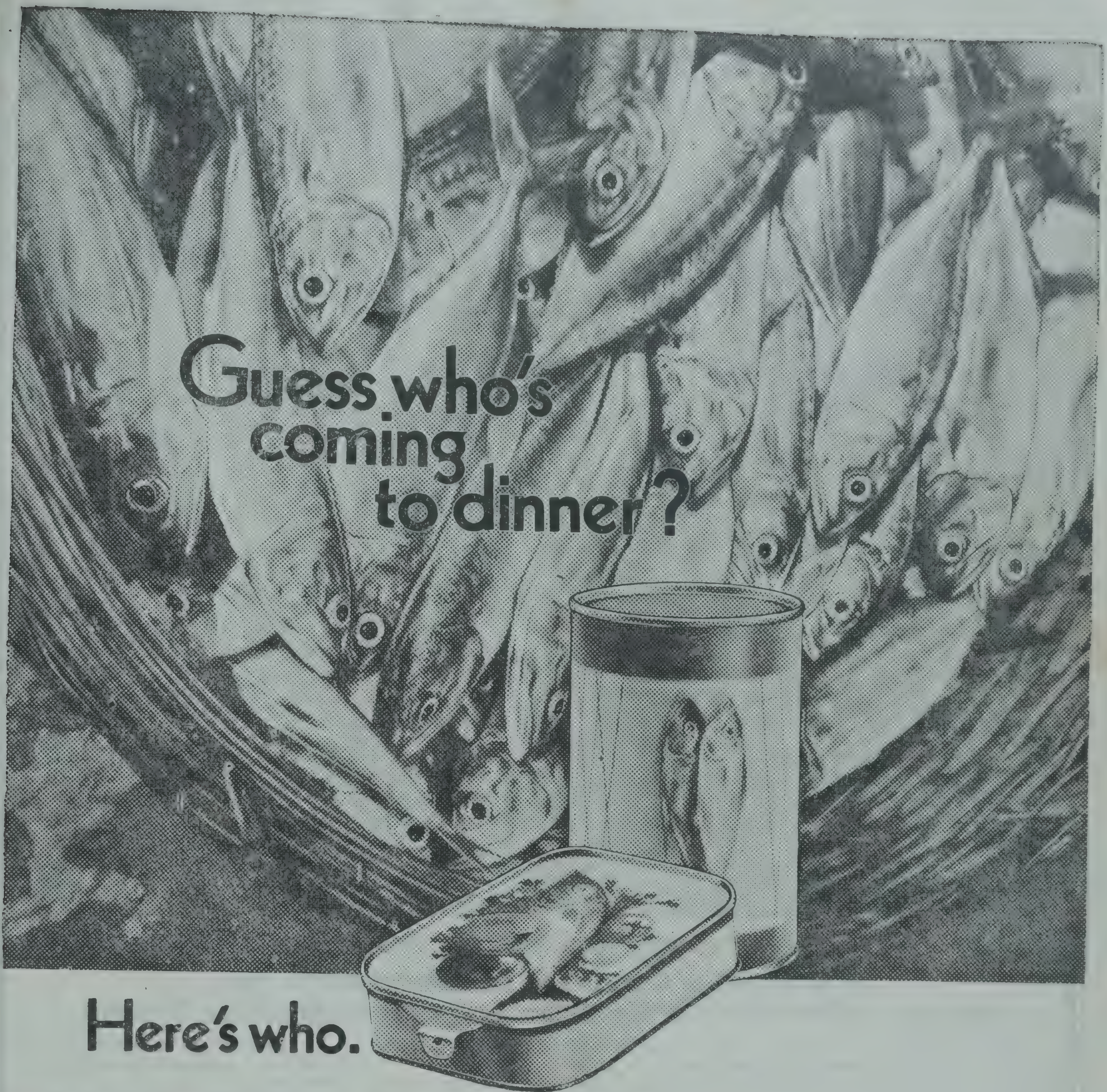
Mr P. M. Agerwala, Managing Director of the Tata Electric Companies, has been elected President of the Management Consultants Association of India at its eighth annual general meeting held recently in Bombay. The other office bearers elected are **Mr Anwar Divecha** as Honorary Secretary and **Messrs Ram Agarwal, N. H. Atthreya, M.L. Gauba and Dr S. K. Parukh** as Committee Members.

Mr K. C. Sharma recently took over as Chairman and Managing Director of the Fertilizer Corporation of India.

At the Annual General Meeting of the Chemical Plant and Machinery Association of India held recently the following were elected for 1973-74: **Mr R. L. Dalal**—Chairman; **Dr R.P. Puri and Mr P.N. Gulati**—Deputy Chairmen.

Mr Jules C. Gindraux has taken over as Trans World Airlines (TWA) new General Manager for India and South Asia. Mr Gindraux, who will be stationed in Bombay, succeeds A. R. Burton who moved to Chicago as M— —Sales Development of TW Central Region.

Mr K. G. Appusamy been appointed Deputy Managing Director of Air In recently.



Here's who.

Right now somewhere, somebody is opening a tin of fish.

You don't even realise it but our cans have been helping to bring you the things you use every day: fish, baby foods, cosmetics, fruits, ghee and vanaspati, pharmaceuticals, paints, motor-oils. All with their quality intact.

Our way of doing it is with the most modern technology.

We are an associate of the world's largest can manufacturer, the American Can Company. Through us, the fruits of their over $ 20,000,000 annual research and development programme are available to canners and consumers in India.

Which means, better and more cans for you, naturally.

Things you can't do without, Poysha can

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COMPANY AFFAIRS

nil Hardboards

il Hardboards proposes to ue debentures shortly. The oceeds of the issue will be ilised to repay unsecured posits. Although many have newed their deposits and e company has repaid Rs lakhs to depositors from nk borrowings it desires to duce its liability, without rther affecting the working nds, to the extent of the atutory limit prescribed by eserve Bank. Meanwhile the ompany has reported satis- ctory progress during the ar ended March 31, 1973, though the margins have en under pressure. As aga- st a 10 per cent increase in les from Rs 1.60 crores to s 1.76 crores gross profit as gone up by only 5.5 per nt to Rs 20.75 lakhs from s 19.34 lakhs in 1971-72. ne directors have dicided ain to skip the equity divi- end. The Rs 100 fully paid equity shares are current- quoted around Rs 45. Out the gross profit the direc- rs have appropriated Rs .44 lakhs to depreciation serve as against Rs 14.13 khs in 1971-72 while the al- ocation to development re- ate reserve was enhanced om Rs 1.15 lakhs to Rs 25 lakhs. A sum of Rs 6 khs was transferred to the eneral reserve as against Rs lakhs in 1971-72. Exports uring the year mounted up om Rs 16 lakhs to Rs 30 khs and are likely to go up rther in view of the fact at the company has alrea- export orders of Rs 60 khs on hand. Meanwhile e company has applied for xpansion of its capacity om 12,000 tonnes to 25,000 nnes a year.

amon and Demm

Viewed against the back- round of generally difficult industrial conditions the working results of Ramon and Demm Ltd for the year ended March 31, 1973 can be considered quite satisfactory. Though the output has increased slightly from Rs 2.62 crores last year to Rs 2.79 crores this year, net profit dropped to Rs 36.21 lakhs because sales realization were lower owing to the substantial reduction in prices effected by the company. If the company had not reduced the prices to counter large imports of gears, the net profit for the current year would have been Rs 1.31 crores instead of Rs 36.21 lakhs. Nevertheless the directors have maintained the dividend for the year at Re one per share which, considering that it still remains free of tax as it is to be paid out of tax free reserves, must be a matter of great satisfaction to the shareholders.

Owing to the sustained demand for the company's products the wodking of the company so far has been quite encouraging. Small beginnings have also been made in exports of its gears but the high prices of raw materials particularly forgings tend to make the prices of its products higher than the prices prevailing abroad. The outlook for the company's planned growth and development seems reassuring considering the stress laid by the government in the planned increased in the production of passenger and commercial vehicles during the fifth five year plan period. In order to maintain its share of the expanding domestic markets it is necessary for the company to expand its own production capacity and it is with this in view that the company has embarked upon a substantial expansion programme.

ICICI

Industrial Credit and Investment Corporation of India proposes to issue five lakh equity shares of Rs 100 each at par to the existing shareholders in the proportion of one share for every two shares held. This is the third rights issue made by the Corporation since its inception in 1955. The first Rs 2.50 crore rights issue was made in 1965 and the second one for the same amount in 1971. With the present issue the paid up capital will be raised to Rs 15 crores. The issue is being made to broad base the company's capital structure. It is worth mentioning here that the Corporation augmented its rupee resources by issuing debentures worth Rs 15 crores—Rs 7 crores in 1972 and Rs 8 crores in 1973. The broadening of capital base would enable the Corporation to mobilise larger foreign loans and thereby enlarge the scope of its financial assistance for the development of new industries.

Sanghvi Steels

Sanghvi Steels Ltd is setting up a Rs 1.09 crore mini steel plant at Taloja on t Bombay Poona Road. It will produce 15,000 tonnes initially but will produce 20,000 tonnes in a couple of years. The plant is expected to go on stream by June next. The company hopes to raise adequate resources without entering the capital market. It proposes to raise Rs 30 lakhs as equity capital, Rs 10 lakhs by 9.5 per cent redeemable cumulative preference shares, Rs 4 lakhs as short term loans and Rs 65 lakhs as long term loans. The promoters hope to raise half the share capital from their friends and associates. The company will also be setting up in the near future another 10|12 tonne furnace and a rolling mill as a part of its expansion programme.

Hindustan Steelworks

Among public sector units, Hindustan Steelworks Construction Ltd stands out prominently by its magnificent achievements and record performance. In recent years the company has emerged as a pace setter in construction industry. Its turnover during 1972-73 pierced all its previous records and stood at Rs 50.37 crores, thereby registering a twelve-fold increase over the last five years during which period the company has been able to cover a wide range of specialisations in steel plant construction covering practically all facets of construction engineering. The HSCL has already developed a high degree of expertise in civil engineering works, steel structures including erection steel melting complex consisting of smelters, oxygen plant etc, erection of blast furnace units, electrical installations. cable network, erection of equipment for the rolling mills, for the strip mills and hot coil finishing section and refraction lining works of steel plants. It is gratifying to note that the company has been accepted by the government as the principal construction agency for steel plant construction which would include expansion of existing ones in the public sector as well as the new steel plants.

Outside steel plants the HSCL has specialisation in design and construction of bridges including prestressed concrete works, construction of dams and reservors dock and harbour engineering works which include the design and construction of dry dock works of Garden Reach Workshops and construction of RCC silos. Besides the company is branching out into piling works and erection of power plants. Outside India the company has participated in the tenders for the setting up of semi integrated steel plant in Iraq where its offer is under active consideration. Besides

the company has been invited by the State Construction Contracting Company of Iraq to provide technical assistance to certain specialised fields such as design and construction of bridges; prestressed concrete works, RCC silos and piling works. What is more the company has been invited by SCCCO of Iraq for joint venture works in specialised fields. The total value of contracts entered into as on March 31, 1973 was of the order of Rs 281 crores. Besides works costing Rs 28 crores having already been awarded. In addition further negotiations for works worth Rs 15 crores are in progress while the expected work load for Bhilai expansion and Salem steel project would be to the tune of over Rs 100 crores. These are, however, exclusive of the company's offer for works in Iraq. Such is the splendid and spectacular record of HSCL during 1972-73 and these were highlighted by the Chairman, Mr R.S. Gahlowt while addressing the annual general meeting of the company.

Unit Trust

The year 1972-73 can be regarded as the best year for the Unit Trust of India since the commencement of its operations in July 1964. Sales of units which declined from Rs 22.83 crores in 1969-70 to as low as Rs 15.08 crores in 1971-72 reached a new peak of Rs 23.04 crores in 1972-73, recording an increase of as much as 53 per cent over 1971-72. This is indeed a creditable achievement when considered against the background of a low rate of economic growth and spiralling prices. The marked increase in sales owes its success to the three pronged sales promotion drive launched by the Trust, that is, a hike in the dividend from 8.0 per cent in 1970-71 to 8.25 per cent in 1971-72; a lowering of the special offer price for sale of units during July 1972 fixed at Rs 10.45 as against Rs 10.60 in the preceding year; and reduction in the margin from 40 paise to 30 paise between the selling and repurchase prices of units. During 1972-73 aggregate sales were of the order of Rs 23.04 crores under 82,209 applications as compared with sales of Rs 15.08 crores under 61,405 applications in 1971-72. Sales of units under Reinvestment plan with respect to the income distrilntion for 1971-72 mounted up to Rs 89.93 lakhs under applications in 1970-71. The Children's Gift Plan accounted for an inflow of Rs 67.03 lakhs, the corresponding figure for 1971-72 being Rs 50.54 lakhs. Units sold under Voluntary Savings Plan amounted to Rs 2.09 lakhs as against Rs 1.66 lakhs in 1971-72. Repurchases of units amounted to Rs 2.97 crores under 11,403 applications in 1972-73 as against Rs 2.60 crores under 10,093 applications in the 1971-72. As on June 30, 1973 units sold and outstanding with the Trust were to the tune of Rs 124.79 crores, the number of accounts registered with the trust being over five lakhs.

During the year under review while the income of the Trust pertaining to the Unit scheme 1964 went up to Rs 11.79 crores as compared to Rs 9.68 crores in the preceding year, the expenses increased to Rs 98.66 lakhs from Rs 80.54 lakhs in the previous year. The Board has decided to enhance the rate of income distribution to unit holders to 8.50 per cent as against 8.25 per cent declared for 1971-72.

Sales of units under the 1971 Unit Scheme made through the Unit Linked Insurance Plan amounted to Rs 12.96 lakhs as against Rs 3.24 lakhs in 1971-72. Between October 1971 and June 1972, 503 members joined the Plan for a target amount of Rs 0.41 crore. During 1972-73 (July-June) yet another 1312 members joined the Plan for a target amount of Rs 1.07 crores. Thus in all 1,815 members have joined the Plan till the end of June 1973 for a total target amount of Rs 1.48 crores. The Board has decided to declare an income distribution of seven per cent under this Scheme which will absorb Rs 1 13 lakhs.

The total investible funds of the Trust including those under the Unit Scheme 1971 went up from Rs 119.3 crores as on June 30, 1972 to Rs 142 crores as on June 30, 1973 of which ordinary shares accounted for Rs 60.7 crores, preference shares for Rs 14.9 crores and debentures for Rs 48.1 crores. The share of ordinary shares in total investments advanced from 37.4 per cent as on June 30, 1972 to 42.8 per cent as on June 30, 1973 while it receded from 11.7 per cent to 10.5 per cent in the case of preference shares and from 35.1 per cent to 33.9 per cent in respect of debentures, indicating a deliberate shift of emphasis in favour of ordinary shares. These observations are contained in the Chairman, Mr J.S. Raj's statement reviewing the performance of the UTI during the year ended June 30, 1973.

News and Notes

(Expansion and Diversification)

Kanoria Chemicals had received a letter of intent for the manufacture of methyl methacrylate monomer and has submitted proposals to the government for approval of foreign collaboration. It is understood that the government is seriously considering the proposal and a decision in this regard is expected soon. The company had also received a letter of intent for the manufacture of toluene-di-isocyanate with a capacity of 3600 tonnes per annum. As this capacity is considered to be uneconomic and too small as compared to world standards, the company has submitted an application to the government to increase the capital from 3600 tonnes to at least 6000 tonnes per year, and the same is awaiting government's decision. Meanwhile the company has complated the expansion of the caustic soda plant to a capacity of 3,300 tonnes per annum and is now seeking the government's permission to raise the annual capacity to 66,000 tonnes.

New Issues

Bhagawati Oxygen Ltd setting up a plant at Ball garh in Haryana for prod ing 140 cubic metres of Ox gen per hour. The plant w be supplied and commissi by Indian Oxygen Ltd the delivery is expected made in June-July 1974 commercial production is e pected to commence in Oct ber 1974. Meanwhile the co pany has been appointed production contractors two years from September 1973 to run the oxygen pl of Bhagwati Steel Pvt. Ltd Calcutta having a capac of 3.4 lakh cubic metres p annum. The company will utilising its technical ar other essential personnel run the above plant and return it will be receiving R one per cubic metre of ox gen gas produced. To rais resources for financing its ex panding and diversified act vities the company entere the capital market on Sep tember 12 with a public iss of Rs 15 lakhs, in 150,00 equity shares of Rs 10 eac at par. The subscription lis for this fully underwritten is sue will close on Septembe 22 or earlier but not befor September 14. As there is potential gap between de mand and supply of oxygen

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ıs, sales of handsome marns are assured. Hence the rectors are confident of eclaring a maiden dividend at least 10 per cent for the ear ending August 31, 1974 nd enhance it substantially subsequent years.

Süneeta Vitamins and hemicals Ltd has been linsed to manufacture 125 nnes of vitamin C and 650 nnes of sorbitol per anım. The project, which is esmated to cost Rs 2.54 crore, will be located at Ratm, Madhya Pradesh. Civil onstruction work is in proress and the plant is expected to go on stream by the iddle of next year. The anual turnover on full proıction is expected to be round two crores of rupees. he company has also applied r further expansion of its ıpacity of vitamin C from 25 tonnes to 250 tonnes. The xpansion will involve furıer capital outlay of Rs 70 , 80 lakhs and will result in oubling of sales. To meet part of the cost of the project the company will be isiing shortly 5,40,000 equity hares of Rs 10 each and 0,000 preference shares of s 100 each at par to the ublic for subscription. The irectors are hopeful of decıring a reasonable dividend rom the first year of its operations.

Terpene Industries is setıng up a Re one-crore proect in a small village in Hiıachal Pradesh to manufacıre pinene rich turpentine nd other terpene products. 'he technical know-how will e supplied under an 10-year greement by Camphor and llied Products who are pioeers in the field of terpene hemicals. The plant is exected to start production y May 1974. The turnover t full capacity is estimated t Re one crore. To raise esources for implementation f this project the company vill be entering the capital narket some time in Novemer with a public issue of Rs 0 lakhs.

National Machinery Manuıcturers Ltd, is entering the apital market on September 10 with a fully underwritten issue of 20,000 (eight per cent) unsecured convertible bonds of Rs 500 each for cash at par. Out of the present issue, 9282 bonds will be first offered to the members of the company resident in India whose names are on the register as on August 16, 1973 in the proportion of one bond or as near as circumstances permit for every 20 equity shares held by the member on that date. The bonds are repayable after ten years. However the bond holders have a right of converting the bonds into equity shares at the end of five years, the rate of conversion being by allotment of four equity shares of the company of Rs 100 each credited as fully paid up and issued at a premium of Rs 20 each and the sum of Rs 20 per bond being then refundable in cash. The proceeds of the issue will be utilised for financing the company's Rs 2.37 crores diversification project at Baroda to manufacture wide range of synthetic fibre machinery. The project is expected to be commissioned into production by the end of the current year. With the expansion plan for its existing factory at Kalwe and with the commissioning of the new plant, the company hopes to show a higher turnover of Rs 10 crores in 1973, rising to well over Rs 20 crores in 1976.

Capital and Bonus issues

Consent has been accorded to seven companies to raise capital amounting to over Rs 1.82 crores.

Acrow India Limited, Bombay, has been granted consent, valid for three months, for issue of bonus shares worth Rs 4.27 lakhs.

Bharat Steel Tubes Limited, New Delhi, has been granted consent, valid for three months, for issue of bonus shares worth Rs 1.35 crores only.

Indorigin Electric Private Limited, Bombay, has been accorded consent to capitalise Rs 4.29 lakhs out of its general reserve and issue equity shares of Rs 100 each as bonus shares in the proportion of three bonus shares for every two fully paid equity shares held.

Dates Discs (Private) Limited, New Delhi, has been granted consent, valid for three months, for issue of bonus shares worth Rs 4,25,130.

Gobind Sugar Mills Ltd, Calcutta, has been granted consent, valid for three months, for issue of bonus shares worth Rs 5 lakhs only.

The Jawahar Mills Ltd, Salem, has been accorded consent, valid for three months, to capitalise Rs 19,99,885 out of their general reserve and issue fully paid equity shares of Rs 5 each as bonus shares in the ratio of one bonus share for every fully paid equity share held.

Ecel Glasses Limited, Alleppey (Kerala), has been granted consent, valid for 12 months, for issue of convertible debentures worth Rs 10 lakhs only, to be placed privately with the UTI.

Company Meetings

The Indian Cable Company Ltd: Bengal Chambe of Commerce and Industry, 6, Netaji Subhas Road, Calcutta 700001; September 21; 10 A.M.

The National Insulated Cable Co. of India Ltd: Registered Office, Nicco House, Hare Street, Calcutta; September 24; 4 P.M.

The Tata Power Company Ltd: Registered Office, Bombay House, 24, Homi Mody Street, Fort, Bombay; September 17, 3.45 P.M.

The Andhra Valley Power Supply Co. Ltd: Registered Office, Bombay House, 24, Homi Mody Street, Fort,

Dividends

(per cent)

Name of the company	Year ended	Equity dividend declared for: Current year	Previous year
Higher Dividend			
Vijayakumar Mills	June 30, 1973	15.0	12.5
Monogram Mills	December 31, 1972	10.0	6.0
Birpara Tea Company	December 31, 1972	7.0	5.0
Vardahman Spinning & General Mills	March 31, 1973	15.0	11.0
Jubbulpore Electric Supply Co.	March 31, 1973	12.0	8.0
Same Dividend			
Cellulose Products of India	March 31, 1973	14.0	14.0
Beco Engineering Company	December 31, 1972	Nil	Nil
Shriram Bearings	June 30, 1973	14.0	14.0
Indo American Electricals	March 31, 1973	12.5	12.5
Fort William Company	March 31, 1973	15.0	15.0
Midland Rubber and Produce Company	March 31, 1973	10.0	10.0
Reduced Dividend			
Dalhousie Jute	March 31, 1973	5.0	10.0
Modern Home	March 31, 1973	6.0	10.0

Bombay, September 18; 45 P.M.

The Tata Hydro-Electric Power Supply Company Ltd: Registered Office, Bombay House, 24, Homi Mody Street, Fort, Bombay; September 18; 4 P.M.

The Indian Steel and Wire Products Ltd: Registered Office, 7, Wellesley Place, Calcutta 1; September 24: 12 Noon.

Cancellation of Letters of Intent

The following statement gives the names and addresses of applicants and the items of manufacture for which letters of intent were revoked or rejected, cancelled, lapsed or treated as withdrawn during the period January to May 1973.

Mr S.V.L. Viswanathan, T-9, Green Park, New Delhi—Battery Containers; M/s CTR Manufacturing Industries Ltd; Nagar Road, Poona-14.—Motorised Geared Pumps; Mr Gopal Khullar, C/o M/s J.N. Steel & Tubes, Hauz Qazi, Delhi-6.—Steel Pipes & Tubes; M/s Hindustan Development Corporation Ltd; Hindu Family Buildings, 27, Sri R.N. Mukherjee Road, Calcutta-1 — Tetraethyl/Methyl Lead Compounds & Ethyl Chloride; M/s Kanak Chemical Industries, 22, Brabourne Road, Calcutta-1.—Vitamin-C; M/s Khandelwal Ferro Alloys Ltd; 37, Sunder Nagar, New Delhi.—Calcium Carbide; M/s Assam Industrial Corpn., 12-B, Madan Chatterjee Lane, P.B. No. 6891, Calcutta-5.—Cold Rolled Strips; Mr M.D. Kanoi & O.P. Kanoi, 13/2, Ballygunge Park Road, Calcutta-19.—Dehydrated Fruits & Vegetables; M/s Indo Burma Trading Corpn. Post Box No. 15, Tadepalligudem (A.P.)—H.D. Polyethylene Sacks; Mr V. Krishnaswamy, 10, Sullivan Street, Santhome, Madras-4.—Electrically Operated Calculators; Electrically Operated Cash Registers; Mr P.R. Ramachandran, 1/155, Mount Road, Madras-2.—Portable Typewriters; Mr Dipak Raj Narag, 28, Sardar Patel Road, New Delhi-11.—Bimetal & Graphite Contacts; M/s Fit Tight Nuts & Bolts Ltd, Old Ashram, Andheri, Kurla Road, Andheri, Bombay-69.—Steel Forgings; M/s Industrial Development Corporation of Orissa Ltd., Bhubaneswar-9.—Television sets; M/s C.P. Rangachar, C/o Southern Explosives Co., 383, Mount Road, Madras-6—Woven Sacks, Sheeting & Leather Cloth; M/s Allied Motor Co., 25, Vaikunta Vadhya Street, Near Elephant Gate, Madras-1.—Three-Wheeler Scooters; M/s Larsen & Toubro Ltd., Gulab Bhavan, Bahadur Shah Zafar Marg, New Delhi-1.—"John Deere" Agricultural Tractors; M/s Perfect Valves & Machines Tools Corpn. 71, Dr S.S. Rao Road, Lal Baugh, Parel, Bombay-12.—Bicycle Tube Valves; M/s The Raipur Mfg. Co. Ltd, Outside Saraspur Gate, P.B. No. 54, Ahmedabad-21.—Porcelain Tableware; M/s Bajaj & Co. (India), 2nd Floor, Behramji Mansion Sir P.M. Road, Bombay-1.—Oxygen Gas & Acetylene Gas; M/s Easun Engg. Co., Ltd, 5-7, Second Line Beach, Post Box No. 95, Madras-1—Tools, Jigs, Gauges, Fixtures; M/s Chika Ltd, Machinery Sales Deptt. Mehta Chamber, 15, Mathew Road, Bombay-4.—Complete Plant for Plastic Extrusion & Synthetic Fibre and Filament Spinning; Mr P.K. Rajgarhia, B-104-A, Greater Kailash-1, New Delhi-48. — Broaches; M/s Industrial & Agricultural Engg. Co. (Bombay) PVT. Ltd, 196, Lal Bahadur Shastri Marg, Bhandup, Bombay-78—Solvent Extraction. Plants; Mr Raghava Reddy, Chief Promoter, Mirgalguda Coop. Sugars Ltd, N Nalgunda.—Sugar; M/s O.E.N. India Ltd, Post Box No. 1905, Cochin-18.—Connector; M/s Ajai K. Lakhanpal, 'Ashyana', 15th Road, Khar, Bombay-52. — Carbon Film Registors; M/s Hindustan Development Corpn. Ltd, Hindu Family Building, 27, Sir, R.N. Mukherjee Road, Calcutta-1. — Activated Silica, Sodium Silico Fluoride, Cryolite; M/s Mulchandani Electrical & Radio Industries Ltd. Sukh Sagar, Nyayamoorti Sitaram Pathar Marg, Bombay—Volume Controls & Carbon Tracks; M/s Chemical Manufacturing Co., 6692/1, Khari Baoli, Delhi-6.—Sodium Hydrosulphite; M/s Bearing Specialists Pvt. Ltd, 137, Canning Street (3rd Floor), Calcutta-1.—Engine Valves; M/s Elecon Engg. Co. Ltd, Post Box No. 6, Vallabh Vidyanagar.—Rubber Conveyor Belting; M/s Hada Tools Ltd, 27-A, Camac Street, Calcutta-16.—Metallic Industrial Springs of all type excluding Laminated Springs; Mr S. Ramachandran, Partner, M/s Engg. Tools & Services, Unit No. 2, Ambattur Industrial Estate, Madras-58. — Pistons, etc.; The Amalgamated Coalfields Ltd, Hongkong House, 31, Dalhausie Square, Calcutta-1.—Cement; M/s Bharat Industries & Commercial Corporation, Tower House, Chowringhee Sq. Calcutta-1.—UEI-Tractors; Mr S.K. Chakravarty, 60, Prem Court, Poddar Road, Bombay-20.—Fuel Injection Equipment & Spark Plugs; Mr Virender Kumar, J-63 Kirti Nagar, New Delhi-15.—Engine Valves; Mr S.C. Chhiba, 5499, Greater Kailash, New Delhi-48—Shock Absorbers; Mr P. Chandriah, 28-A, Chamiers Road, Madras-28 — Shock Absorbers, Flywheel Ring Gears; M/s Indian Drugs & Pharmaceuticals Ltd, N-1 South Extension Pt-1, New Delhi-49.—Empty Card Gelatine Capsules; Mr S.M. Subramanian, 24-C, Thankechalam Chetty Road, Madras-1—Pistons; M/s Laxman S. Agarwal, 30, Malcha Marg Diplomatic Enclave, New Delhi.—Soda Ash; Mr B.L. Agarwal, 18, Netaji Subhas Rd. Calcutta-1.—Dairy Equipment; Mr C.L. Anand Bank of Baroda Building 7th Floor, 16, Parliament Street, New Delhi-1.— Domestic Refrigerators; Mr P. Agarwal, 65, Jaladarshan, Napeansea Road, Bombay-6.—Oxygen Gas & Acetylene Gas; Mr B.P. Poddar, Hong Kong House, 31, Dalhousie Road, Calcutta.—Pistons, etc; Mr P.M. Bhardwaj, A-201, Defence Colony, New Delhi.—Carburettors; Mr Gurmeet singh, C-550, Defence Colony, New Delhi.—Shock Absorbers; M/s Paterson Engg. Co. (India) Ltd, Chartered Bank Building, M.G. Road Bombay-1. — Dashboard Instruments; M/s Plant Engineering & Development Corpn. A-201, Defence Colony, New

Delhi-3 Shock Absorbers: M/s Bharat Carburettors. A-143. Asaf Ali Road. New Delhi-1.—Carburettors; M/s Bharat Carburettors. A-143. Asaf Ali Road. New Delhi-1. —Fuel Pumps; M/s Dass Hitachi Pvt. Ltd. 21-A, Janpath, New Delhi-1.—Carburettors; Mr V. Ramachandran, Flat No. 15, Plot No. 408, Madhugiri, Sion Trombay Road, Bombay-21.—Carburettors; M/s SKF Ball Bearing Co. (P) Ltd; Mahatma Gandhi Memorial Bldg; Netaji Subhas Road, Bombay-2.—Centre Sleeve Insert & Top Cradle; M/s Shirajlal Morarji, 37-A, Sarang Street, Khokha Bazar, Post Box No 3216, Bombay.—Shot Blasting Machines; M/s J.&K. State Industrial Development Corpn. Ltd; Kaft Chinar, Srinagar.—Maize Starch; Mr Bhupinder Singh Sahney, 27, Kirol, Post Bag No. 7266. Bombay—Spark Plugs: Mr V.B. Poonja, 29, Capri, 6, Manav Mandir Road. Bombay—Pistons, etc; M/s Indian Business Machine Co., Khaitan Terraces, 'B' Block, 95. Government Gate Road. 1st Floor. Parel, Bombay-32.—Cash Registers, Calculating & Adding Machines; Mr P.K. Kanoria. 9. Brabourne Road. Calcutta-1. —Cement; Mr A.N. Daing, 2, Meredith Street, Calcutta-13.—Cylinder Heads; M/s Mahendra R. Mehta, B-26, Sterling Apts., 38, Peddar Road, Bombay-26.—Electrical Stampings; M/s Kothari & Sons, Post Pox No. 3309, "Kothari Buildings", Nungambakkam High Road, Madras-34. — Electrolytic Components; Mr Amrit Singh, B-1, Central Green, NH-5, Faridabad (NIT).—Metallic Industrial Springs of all types; M/s Ajit K. Lakhanpal, 'Ashvana', 15th Road, Khar, Bombay-52. — Plastic Film Capacitors & Ceramic Capacitors: M/s Ramon & Demm Ltd; 79, Apollo Street, Fort, Bombay-1. — Steering Gears; Mr M. Lal Garayeli, C/o M/s E. Hiji Posh, 45-B, Asaf Ali Road. New Delhi-1.—Malathion; Mr Hargovind Bajaj, M/s Bajaj Plastics Ltd; Imambara Road, Nagpur.—HDP Woven Sacks & HDP Laminated Fabrics; M/s Somany Pilkingtons Ltd; Kassar, Distt: Rohtak, Haryana. —Glazed Tiles: Mr Shewbhagwan Goenka, 24, Rajendra Nath Mukherjee Road, Calcutta-1. — Cable Paper, Insulating Paper; M/s The Central Trading Company, 127, Canning Street, Calcutta-1.—Pistons, etc; M
Madan Mohan Rao, Pr
tor: Mohan Motor Com
D-25 F, South Exte
Part-II, New Delhi-49.—
senger Cars; M/s Y
Corpn. Ltd; 2836, G
Road, K.P. Building
Floor), Ahmedabad.—D
Iron Pipes/Fittings; Mr
Singh, Devi Bhawan,
Greater Kailash, New D
—PVC Pipes Fittings,
Mr M.K. Mohta M.P.,
Greater Kailash, New D
48.—PVC Calendered
ducts; Mr V.K. Gupta,
3457, Delhi Gate, Delhi.—
cording Magnetic Tapes;
Das Hitachi (P) Ltd; 2
Janpath, New Delhi-1.—
ters, Voltage Regulators;
Bharat Springs (P) Ltd;
Benham Mall Lane, G
um, Bombay-1.—Autom
Spring Leaves & Assemb

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look of the wear
pick of the year

;preading the Gospel of .ife Insurance—Keynote ›f LIC's)perations

Highlights of Statement by Shri K.R. Puri, Chairman, Life Insurance Corporation of India

ling Claims Expeditiously

Corporation has taken several such as expeditious payment of ns; quick settlement of loans, clearance of deposits and ntralisation of functions to ches to facilitate better service to yholders. During the year, the poration settled 3.62 lakh claims. works out to about 1250 claims working day. Whereas in 1957 in the first year of nalisation, the amount paid by of settlement of claims was only 24.96 crores, in 1972-73 it was 99.59 crores. Similarly, prior ationalisation the percentage utstanding claims to claims nated was 47 in respect of seven ng insurers, while during the 1972-73 the percentage of claims tanding to claims intimated was 20.63.

Fund

Life Fund of the Corporation d at Rs. 2,359 crores as on ch 31, 1973.

ome

total income of the Corporation he year amounted to Rs. 526.02 es as against Rs. 449 crores in previous year.

gross and net interest realised nean life insurance fund was % and 5.97% respectively as nst 6.39% and 5.65% in the ious year.

Expense Ratio

The renewal expense ratio of the Corporation for 1972-73 was 14.24% as compared to 14.78% in 1971-72. Considering that, as a result of continued inflation, the Corporation had to grant substantial increase in dearness allowance to its employees and had to incur heavier expenditure under other heads, this position can be considered satisfactory.

Unprecedented New Record

During the year 1972-73, the Corporation wrote the highest ever new business of Rs 2,075.20 crores, recording the highest ever percentage increase of 26.5. In absolute terms also, the Corporation added a business of over Rs. 435 crores against Rs. 337 crores added in 1971-72. It was only in 1969-70, 14 years after nationalisation, that the Corporation reached the first 1000 crore mark.

The next 1000 crore business came in just 3 years. This progress was possible despite the disturbed conditions in several parts of the country and natural calamities like drought and scarcity looming large in various States.

Helping the Weaker Sections

A noteworthy feature of the Corporation's new business is the business written under Group Schemes. In 1972-73, as many as 5,99,012 new lives were insured under Group Schemes for Rs. 336 crores. In all, over 9,00,000 people have now obtained insurance cover which otherwise would not have been possible under traditional plans. Even the disabled and uninsurable people have now come under insurance cover because of Group Schemes.

Rural Business

Out of a total of 20.23 lakh policies issued by the Corporation during the year, 6.43 lakh policies, representing 31.9% of the total policies, were issued to people residing in rural areas.

Size of Policy

The average sum assured per policy was Rs. 8,596. Contrary to the popular belief that people insure only to get the benefit of tax concession, it is very interesting to know that about 60% of the policies issued were for amounts below Rs. 5,000, about 23% between Rs. 5,000 and Rs. 10,000 about 13% between Rs. 10,000 and Rs 25,000 and less than 4% above Rs. 25,000.

Business in Force

The total life assurance business in force was Rs. 9,325 crores under 1,69 crore policies.

Investments

The Corporation as a business organisation has to invest its surplus funds to earn satisfactory yields, in addition to statutory investments in Government and other approved Securities. However, in recent years, the Corporation has accelerated the tempo of socially-purposive investments which amounted to Rs. 142 crores during 1972-73. While the investment in such projects was about Rs. 75 crores as on March 31, 1964, it has grown to about Rs. 720 crores as on March 31, 1973. In 1963-64 the percentage of total investments in socially-purposive investments was 9.8 and in 1972-73 it was 33.1.

Housing Activities

The Corporation has invested over Rs. 425 crores in housing development to meet the acute housing shortage in the country, which include loans to State Governments, Apex Co-operative Housing Societies, Mortgage of houses, Own Your Home Scheme, Public Limited Companies and their Co-operative Societies, Co-operative Societies of LIC employees, individual employees of LIC and the cost of construction of township development and LIC's own buildings.

Life Insurance Corporation of India

BANK OF INDIA

Directors' Report and Condensed Statement of Accounts for the Year 1972

THE YEAR 1972

Emerging from the 1971 crisis, India moved into 1972 with new confidence. The events in the opening months lent strength to this confidence; the formation of a stable government by the newly independent nation, Bangla Desh—a government which inspired confidence among the millions of refugees, who had crossed over to this country for safety, for them to return speedily to their homeland, the successful conclusion of the Simla talks—improving the outlook for normalisation of relations with Pakistan, and the reaffirmation of the nation's confidence in the leadership of the Prime Minister, through massive support to her party in the elections to State Assemblies — assuring political stability.

But, as the year advanced, the continuing impact of the heavy burden imposed on the exchequer, in looking after the refugees and on account of the hostilities with Pakistan, began to have its toll on the country's economy. To add to the difficulties, the monsoon failed—in some parts of the country for the second year in succession—leading to severe drought conditions. As a consequence, there was a sharp setback in the kharif production. Also, with hydel stations affected, the country faced severe power shortages, hitting both industry and agriculture. The consequential large expenditure on drought relief, coupled with the shortage of foodgrains, added to the pressure on prices. And, the year ended with economic stagnation, and the country virtually in the throes of an inflationary crisis.

There were some redeeming features too—the rising tempo of industrial activity, mainly through capacity utilisation, the improved climate for investment reflected in the increased capital raised during the year, and more importantly, the spurt in exports, making for a more favourable swing in the overseas trade balance. Also, the enlarged crash programme for production of the rabi crops was proceeding apace and showing signs of yielding satisfactory results. Given, therefore, a good monsoon in 1973, with the attendant normal growth in agricultural production, the economy should turn the corner and grow at a faster pace.

INTERNATIONAL MONETARY SYSTEM

With world trade continuing to grow at a fast pace in 1972—almost twice the rate of 1970 and 1971—the realignment of currencies, following the Smithsonian Agreement of December 1971, failed to provide any satisfactory corrective to the weaknesses in the international monetary system. And, the exchange realignments made in December 1971, which were maintained intact for a good part of 1972 through widespread controls on movement of short term capital or hot money, succumbed to the new pressures which developed later, and on 12th February 1973, U.S. dollar was further devalued by raising the price of gold from $38 to $42.22.

Following this, the European Common Market Countries—West Germany, France, Holland, Belgium, Luxemburg and Denmark—along with Sweden and Norway, decided upon a joint float of their currencies on the basis of agreed margins. Italy and Japan allowed their currencies float independently. Pound Sterling had been put on float in June 1972 when it had come under heavy pressure and the U.K. Government chose to maintain the status quo. In the case of the Indian Rupee too, which stood linked to the Pound Sterling, the status quo was maintained, so that, **vis-a-vis** the dollar, it stood revalued upwards.

BANKING TRENDS AND CREDIT POLICY

The dominant feature of the banking situation in 1972 was the prolonged spell of excess liquidity, particularly during the latter half of the year, resulting largely from substantial liquidation of the food procurement credit consequent upon large releases of foodgrains from the central pool. This was reflected in the sharp decline of the credit-deposit ratio from 72.8 per cent at the end of 1971 to 66.3 per cent at the end of 1972. And, this had its inevitable impact on the overall profitability of banks, particularly those which have been participating in a substantial measure in the food procurement credit.

In the wake of excess liquidity, some banks resorted to grabbing of larger industrial accounts from other banks, by offer of lower rates of interest and other concessions. This development caused considerable anxiety to several banks and had an unsettling effect on many of them. The situation was, however, brought under control early in 1973 through the intervention of the Reserve Bank of India.

In the prevailing inflationary conditions, the Reserve Bank pursued a policy of credit restraint and of siphoning off the excess liquidity in the banking system. The statutory liquidity reserve requirement was raised in two stages from 28 to 30 per cent and the net liquidity ratio from 34 to 36 per cent. And, arrangements were made for a further issue of government loan, which, while mopping up the excess liquidity, provided funds to the exchequer for financing emergency expenditure, mainly on drought relief. Certain modifications were also made in the [illegible] credit controls, with a [illegible] to tightening the contr[illegible] simplifying their ope[illegible]

DIFFERENTIAL INTEREST RATES SCHEME

In March 1972, [illegible] ment decided to intro[illegible] scheme of differential i[illegible] rates for implementati[illegible] public sector banks, [illegible] under a specially reduced [illegible] of 4 per cent per ann[illegible] charged on advances to [illegible] low income groups.

THE BANK

In common with [illegible] banks, Bank of India [illegible] perienced a surfeit of liqu[illegible] ty in 1972. Nevertheless, [illegible] gratifying to record that [illegible] Bank made good all r[illegible] progress and was able to s[illegible] tain the rising trend of [illegible] profits. Deposits showed [illegible] growth over the year of [illegible] 107.51 crores to reach [illegible] ,685,50 crores. Credit exte[illegible] ded also rose, though mod[illegible] ately, by Rs 25.23 crores [illegible] stand at Rs 436.55 crores [illegible] the end of the year. Inve[illegible] ments went up by Rs 41[illegible] crores, to Rs 198.15 cro[illegible] The branch net-work in Ind[illegible] expanded by 110 and, at t[illegible] end of the year, the Bank h[illegible] 620 branches in India. [illegible] branch was also opened [illegible] U.K. at Wembley (Londo[illegible] raising the number of bra[illegible] ches in U.K. to six.

OPERATING RESULTS

The **gross operating inco[illegible]** of the Bank, after making t[illegible] usual and necessary provi[illegible] ons, at Rs 48.20 crores, w[illegible] Rs 5.77 crores (13.6 per ce[illegible] above the 1971 level of [illegible] 42.43 crores. The major co[illegible] ponent of this increase w[illegible] 'Interest and Discount' whi[illegible] rose by Rs 5.03 crores.

The increase in **gross op[illegible] rating income** was howev[illegible] substantially offset by a r[illegible] of Rs 5.72 crores (14.3 [illegible] cent) in the **gross operati[illegible] expenses**, form Rs 40.08 c[illegible] es to Rs 45.80 crores. T[illegible] major components were In[illegible] est Paid on Deposits and B[illegible] rowings (Rs 3.30 crores) [illegible] Establishment Charges [illegible] 1.70 crores).

Accordingly, the **net p[illegible]**

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[fo]r the year, of Rs 2.40 cror[es] was marginally higher [th]an the 1971 net profit of [Rs] 2.35 crores.

In appropriating the net [pr]ofit, a sum of Rs 48 lakhs [wa]s transferred to the Re[ser]ve Fund and appropriation [of] Rs 97 lakhs was made to[wa]rds Bonus to Staff for the [ye]ar. The liability for Bonus [is] reckoned at Rs 1.47 crores [an]d the balance of about Rs [..] lakhs would be met from [co]ntingencies, in which ade[qu]ate provision had been [ma]de by transfer from the [in]come of the year. The allo[cat]ion to Staff Welfare Fund [wa]s Rs 10 lakhs.

After the above appropria[tio]ns, the balance of Rs 84.84 [lak]hs was paid as dividend [to] government yielding a re[tur]n of 5.771 per cent on the [ac]quisition compensation am[ou]nt of Rs 14.70 crores, or [..].95 per cent on the paid-up [ca]pital of Rs 4.05 crores, [co]mpared with 5.746 per cent [an]d 20.85 per cent respec[tiv]ely in the previous year.

[O]PERATIONS IN INDIA

The Bank's operations in [In]dia were marked by a fur[th]er gearing up of the orga[nis]ational machinery for it to [me]et more effectively the new [ch]allenges. And, the salient [fea]tures covered: (i) a quick[en]ing of the pace of deposit [mo]bilisation, though not [wi]thout the higher cost impli[ca]tions; (ii) a push to credit [dis]bursal to small borrowers [an]d other economically wea[ke]r sections of the communi[ty] accompanied by a widen[in]g of the territorial coverage [of] such lendings; (iii) an in[ten]sification of the effort at [wi]dening the geographical [sp]read of the Bank, parti[cu]larly in rural and semi-[ur]ban areas; and (iv) in that [pr]ocess, the building up of [th]e necessary infrastructure [of] branch network in the lead [di]stricts. There was, of course, [th]e continuing constraint of [sh]ortage of personnel, but the [po]sition eased a little towards [th]e close of the year through [ma]ssive recruitment and crash [tra]ining programmes. The or[ga]nisational set-up was further strengthened and a scheme of wider delegation of powers was introduced, giving substantial authority to the Regional, Area and Branch levels, primarily with the object of expediting the decision-making process and taking decisions close to the field of operations. No doubt, these swift developments and changes have had their impact on operating costs and, additionally, the Bank had to face the problem of excess liquidity. But, through a judicious deployment of funds and an enlargement of business in foreign exchange and other ancillary services, the Bank was able to improve upon its operating results for the year.

BRANCH EXPANSION

The pace of branch expansion was kept up during the year and 110 branches were opened, the same number as in 1971, taking the total number to 620 as at the end of December 1972. However, as in the previous year, because of the continuing constraint of personnel, as many as 87 branches were opened only towards the close of the year with the result that they could not make any worthwhile contribution to the Bank's business during the year.

Of the branches opened, 49 were located in rural centres and 23 in semi-urban centres, raising the aggregate number of branches at such centres to 230 and 132 respectively; together they covered 58.4 per cent of the total. And, the Bank's metropolitan-cum-urban concentration stands reduced from 64 per cent in July 1969 to 42 per cent at the end of 1972.

In selecting the centres, due emphasis was laid on the special needs of the under-banked States and on the requirement to set up a good network of branches in the lead districts; 42 branches were accordingly located in the under-banked States and 43 in lead districts.

With a view to facilitating a sustained drive at widening the geographical spread, keeping in view the necessity for removing regional imbalances and building up the necessary infrastructure in the lead districts, while not unduly diluting its position in the metropolitan centres, from this year, the Bank has commenced operating on the basis of a three-year perspective plan, which is to be rolled over from year to year.

Pursuant to this plan, the branch expansion programme for 1973 envisages opening of 155 branches, of which 59 will be at rural centres and 51 at semi-urban centres. It is envisaged that at the end of 1973, the rural and semi-urban branches will constitute 61 per cent of the total; also the branch net-work in the lead districts will stand increased to 34 per cent of the total.

DEPOSITS

The year witnessed a further intensification in the deposit mobilisation effort and this was reflected in the rise in the Indian deposits of the Bank. Indian deposits of the Bank, exclusive of inter-bank deposits, went up from Rs 497.93 crores to Rs 581.57 crores, showing a growth rate of 16.8 per cent compared with a rise of 14.8 per cent in 1971. This increase was in contrast to the trend noticed in the banking system wherein deposit growth rate declined by 4.6 per cent in 1972 compared to the growth rate in 1971.

Component-wise, the fixed deposits demonstrated the highest buoyancy, showing an increase of 21.1 per cent as against 15.7 per cent in 1971. Consequently, the share of fixed deposits in the overall deposits of the Bank went up from 50.1 per cent to 51.9 per cent. On the other hand, the tempo of growth in savings bank deposits slowed down noticeably to 12.8 per cent from 21.7 per cent in 1971, reducing their share in the total from 28.8 per cent to 27.8 per cent. This shift in the growth pattern was largely due to the diversion of funds to the more popular and higher interest yielding Monthly Income Certificates which recorded an increase over th[e] year from Rs 11.29 crores [at] the end of 1971 to Rs 35.[..] crores in December 1972.

In the case of current de[posits] too, the growth ra[te] recorded an improvement fro[m] 4.9 per cent. (in 1971) to 12[..] per cent. But their share [in] the total declined marginal[ly] to 20.3 per cent from 21[..] per cent in 1971. This cha[n]ge in the component patte[rn] of the Bank's deposits ha[s] naturally been pushing u[p] the average cost of deposit[s] calling for better deployme[nt] and improved productivity [to] maintain profitability.

Roughly 70 per cent of th[e] current deposits still com[e] from the eight metropolita[n] towns, which in the not to[o] distant past used to provid[e] over 75 per cent of the Bank[’s] business. And, concomitan[t] to the shedding by the Ban[k] of its highly metropolita[n] character, not only has th[e] share of these metropolita[n] towns in the Bank's tot[al] business been declining, th[e] Bank's share of the increase[d] business thereat has also bee[n] on the decline—a natur[al] process of re-adjustment.

A centre-wise classificatio[n] of the Bank's deposits show[s] that the share of the metro[-]politan centres has com[e] down from 68.1 per cent [in] 1970 to 64.7 per cent in 197[2] although the metropolitan cen[-]tres still continue to accou[nt] for the bulk of the fresh de[-]posit accretions.

The number of deposit a[c]counts increased fro[m] 15,68,437 at the end of 197[1] to 18,12,925 at the end [of] 1972, representing a grow[th] rate of 15.6 per cent compa[red] to 14.7 per cent in 1971.

CONTRIBUTION OF NE[W] BRANCHES

Of the 350 new offic[es] opened between July 19[69] and December 1972, as man[y] as 187 offices (53 per cent [of] the total) were located in ru[-]ral areas, 80 offices (23 pe[r] cent) in semiurban areas, 4[..] offices (13 per cent) in urba[n] areas and 38 offices (11 pe[r] cent) in metropolitan town[s]. And, at the end of Decem[-]ber 1972, the deposits held b[y]

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hese new branches amounted to Rs 48.75 crores, accounting for roughly 22 per cent of the additional deposits mobilised by the Bank. Rural and semi-urban branches accounted for one half of the total, shared almost equally between the two categories. Metropolitan branches accounted for nearly one-third of the total. Also, the pace of accretion at the metropolitan branches was faster than at the other centres. Further, the average deposits per branch showed a significant rise over the year in the case of metropolitan, semi-urban and rural branches, whereas they remained stagnant in the case of urban branches. It is encouraging that on an average the deposits mobilised by the new offices at the rural centres amounted to Rs 6.43 lakhs at June end and Rs 6.70 lakhs at December end, as against the average for the banking system of Rs 5.83 lakhs at June end.

The performance of the new branches classified according to age group also shows that average deposits per branch rose progressively as the branch advanced in age in respect of all categories of branches. The analysis also highlights the fact that the deposit potential in the newer places tended to decline as the branch net-work was spread wider and deeper in urban, semi-urban and rural areas. This feature of diminishing returns was absent in the case of the metropolitan centres where the average deposit per new metropolitan branch continued to grow, rising from Rs 9 lakhs in 1969 to Rs 15 lakhs in 1970, to Rs 17 lakhs in 1971 and further to Rs 19 lakhs in 1972.

ADVANCES

In common with most of the other major banks, the Bank experienced a general slackness of credit expansion during the year. And, towards the close of the year, there was on the one hand a steep decline in its share of the food procurement credit and on the other the repercussions of the grab accounts operation referred to earlier in the report. Accordingly, the Bank's advances in India, excluding inter-bank advances, showed only a moderate increase over the year from Rs 382.16 crores to Rs 392.26 crores, or of Rs 10.10 crores as against Rs 62.39 crores in 1971. And, the credit-deposit ratio came down from 76.75 at the end of 1971 to 67.45 at the end of 1972.

If allowance is made for the food procurement credit, which declined to Rs 11.75 crores in December 1972 from Rs 32.50 crores in December 1971, the rise in other credit was Rs 30.85 crores or 8.8 per cent, compared with the 11.8 per cent for the scheduled commercial banks as a whole.

In its lending operations, the Bank continued to meet all reasonable demands of credit for productive purposes, giving simultaneously due weight to the needs of the different sectors of the economy. And, lendings to priority sectors, including exports, discussed later under a separate head, covered 66 per cent of the increase in credit (excluding food procurement).

Emphasis was also laid on lending as a catalyst to economic development at the rural centres where the Bank has been opening branches.

It may be mentioned that advances granted by new branches amounted to Rs 13.30 crores, forming 27.3 per cent of the deposits collected by them. And, on an average, the credit granted at rural centres was Rs 3.10 lakhs which was roughly 50 per cent of the average deposits collected at those centres.

The number of borrowal accounts went up from 90,258 to 1,05,336. And, accounts with limits upto Rs 5,000 accounted for 67 per cent of the total number of accounts as against 64 per cent in 1971, evidencing a shift towards spreading the coverage wider.

INVESTMENTS

The impact of the prolonged spell of excess liquidity, and later of the stipulation of higher liquidity ratio, are reflected in the sharp rise of Rs 40.96 crores in 1972 in the Bank's investment portfolio, compared with Rs 18.43 crores in 1971, and the total investment at the end of the year stood at Rs 193.58 crores. As a result, the ratio of investments to deposits went up by 2.6 percentage points from 30.7 per cent as at the end of December 1971 to 33.3 per cent as at the end of December 1972.

The Bank continued to lend support to government's planning efforts by subscribing to government and other trustee securities. During the year 1972, the Bank took up as much as Rs 20.54 crores of the Central and State Government securities. A further investment of Rs 19.13 crores was made in securities of the Central and State Government associated bodies and Rs 1.11 crores in non-trustee securities.

EXPORT CREDIT

The Bank continues to lead in export credit, which rose over the year by Rs 9.36 crores, from Rs 32.25 crores (inclusive of export advances to small scale industries) to Rs 41.61 crores, and the number of accounts financed increased from 1,008 to 1,261.

The Bank provides a package of services to exporters commencing from guarantee for tender bids and performance guarantees to pre-shipment and post-shipment credit, including term credit, and credit to finance incentives' receivables as well as finance for any local expenditure in the country from which export orders are secured. Where necessary and feasible, participation is secured from the Industrial Development Bank of India. A bulk of the exports financed cover the non-traditional sector—quite a few representing turn-key jobs.

The Bank's efforts at export promotion have recently received recognition in the award of the rotating trophy by the Union Ministry of Commerce, Government of India, for outstanding performance in export promotion.

In other fields of foreign exchange too, the Bank [...] competitive and compre[...]sive services, for it to [...]nue to secure its due [...] thereof.

CREDIT TO PRIORI[TY] SECTORS AND WEAK[ER] SECTIONS OF THE CO[M]MUNITY

Advances to the [...] sectors covering agric[...] small industry and small b[...]ness and other weak[er] [...]tions of the community, [...] as transport operators, [...] employed, professionals [...] students, registered a [...] Rs 11.03 crores during [...] year, raising the total fr[om] Rs 59.96 crores at the e[nd] of December 1971 to Rs 7[...] crores at the end of Decem[...]ber 1972—a growth rate [...] 18.4 per cent. And, the sh[are] of credit going to neglect[ed] sectors improved from 1[...] per cent at the end of D[e]cember 1971 to 18.1 per ce[nt] at the end of December 19[72].

The number of accoun[ts] increased from 53,258 as [on] 31st December 1971 [...] 67,484 as on 31st Decemb[er] 1972, representing a rise [...] 26.7 per cent, compared wi[th] 20.5 per cent in 1971. Al[so] priority sectors, including e[x]ports, accounted for 65 p[er] cent of the total number [...] borrowal accounts, as again[st] 60 per cent at the end [...] 1971, reflecting the trend t[o]wards increasingly wider c[o]verage.

AGRICULTURE

There was an increase of [Rs] 6.28 crores in agricultur[al] finance during the year. T[he] number of persons assist[ed] increased from 40.101 at t[he] end of 1971 to 47.520 at t[he] end of 1972, and the amoun[t] outstanding went up from [Rs] 27.70 crores at the end [...] 1971 to Rs 33.98 crores at t[he] end of 1972, representing [...] growth rate of 18.5 per ce[nt] in the number of borrow[al] accounts and 22.7 per cent [...] the amount advanced. F[ur]ther, as many as 50,5[..] far[]mers received indirect assi[st]ance through the finance [...] available to Electricity B[...] for energisation of pu[mp...] thus raising the total n[...] of farmers assisted to [...]

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The rate of growth of agricultural advances would have been higher, but for the severe drought conditions which developed on failure of the monsoon and which affected the kharif agricultural operations. The drought was particularly severe in large tracts of Maharashtra and Gujarat wherein, as a matter of historical heritage, the Bank's organisation stood well geared for agricultural financing.

In the drought situation that developed, the Bank participated in the emergency programmes of the State Governments for financing minor irrigation works in the affected areas. Two schemes were taken up in Sholapur district in Maharashtra for construction of dug wells and installation of pumpsets. In Bihar, the Bank formulated schemes for financing cultivators with holdings of 2.5 to 5 acres for purchase of pumpsets on liberal terms. The schemes have progressed well and the finance made available has benefited the local farming communities in the building up of productive assets which would stand in good stead for future farming operations.

Although the State-wise progress of the Bank's lending operations in agriculture continued to remain uneven, the Statewise analysis does evidence a definite trend towards widening of the geographical spread. While in 1969, all the agricultural advances were concentrated in the three States, Maharashtra, Gujarat and Tamil Nadu, at the end of 1972, the credit disbursed in the backward States of Orissa, Bihar, Madhya Pradesh, Uttar Pradesh and West Bengal accounted for Rs 1.78 crores or 11.1 per cent of the total credit. And, as the infrastructure of the Bank's branch network as well as its organisational machinery in these areas gets strengthened, the imbalance in the geographical spread will get progressively rectified.

The Bank also made special efforts in financing small and marginal farmers. It participated in SFDA|MFAL programmes in ten districts—one each in Bihar, Gujarat, Mysore and Orissa, and two each in Madhya Pradesh, Maharashtra and Punjab. Upto the end of December 1972, the farmers assisted under the scheme numbered 401 and the total quantum of loans disbursed aggregated Rs 7.63 lakhs. The progress has not been as fast as expected, due mainly to the lack of technically feasible and economically viable schemes. Also, in some of the States, the SFDA|MFAL agencies prefer to operate almost exclusively through the co-operative institutions.

Apart from these special programmes, the Bank has also been financing small farmers in other areas; small farmers with farms of 5 acres and below financed by the Bank numbered 17,490, and the loans advanced amounted to Rs 244 lakhs as at the end of June 1972. The average amount of the loans made to small farmers was Rs 1,395.

Mention may also be made of the numerous special schemes undertaken by the Bank in association with State Governments, international agencies and others. For example, the Bank is participating in lift irrigation schemes sponsored by the Maharashtra Government, minor irrigation schemes in Tamil Nadu, IDA projects in Maharashtra, Andhra Pradesh, Madhya Pradesh, Punjab, Haryana and Gujarat, minor irrigation projects under BRC scheme in Bihar, co-operative broiler scheme in Maharashtra, land reclamation scheme in Madhya Pradesh, integrated dairy development scheme in Maharashtra, etc. The total commitment in these schemes amounts to Rs 43.74 crores.

Recently, the Bank has formulated a new strategy for its agricultural lending operations, under which the focus of lending will be on select compact areas where effective guidance and supervision will be ensured. For this purpose, 67 integrated area development centres have been selected for intensive financing of all facets of agricultural development including crop cultivation, dairy development and other subsidiary occupations. These centres will be equipped with technically qualified and trained staff who will be continuously in touch with the farmers, assess their credit requirements with a minimum of delay, meet those credit requirements, provide technical guidance and maintain appropriate follow-up. It is hoped that it will then be possible on the one hand to ensure efficient end-use of credit and on the other achieve improved output.

SMALL SCALE INDUSTRIES

The Bank's assistance to small scale industrial units continued to grow during 1972. The number of units assisted by the Bank went up from 3,705 in December 1971 to 5,282 in December 1972, registering an increase of 42.6 per cent. The number of borrowal accounts of such units also recorded an equally impressive rise from 5,361 to 7,309, or 36.3 per cent. The total credit limits sanctioned rose from Rs 41.27 crores to Rs 45.36 crores or by 9.9 per cent as against 11.0 per cent in the previous year; the amount utilised and outstanding touched Rs 29.91 crores at the end of 1972, though the growth rate at 13.5 per cent was somewhat lower than 15.6 per cent of 1971. The average amount of advances per account came down from Rs 49,151 in 1971 to Rs 40,922 in 1972, indicating the increasing coverage of smaller units.

The State-wise distribution of credit shows that, although the four States Maharashtra, Gujarat, Punjab and Tamil Nadu continued to account for three-fourths of the total, their share did show a decline, though only marginal, during the year. And, there was some improvement in the flow of credit to the four backward States of Bihar, M.P., Orissa and U.P. from Rs 1.24 crores in December 1971 to Rs 1.9 crores in December 1972. It is expected that, as the infrastructure of branch net-work gets built up in these States and the organisation gets geared up, especially in the districts where the Bank has lead responsibility for banking development, the flow of credit thereto will get accelerated.

Industry-wise distribution of credit shows that over one-fourth of the assistance went to the light engineering group comprising metal products, machinery (including electrical) and transport equipment parts. Textiles group claimed about 17 per cent, chemicals and chemical products 13 per cent, food and beverages 5 per cent and plastic goods about 4 per cent. Units producing miscellaneous items such as clocks and time-pieces, fountain pens, other stationery articles, toys etc, accounted for about 20 per cent. Other industrial groups which received the Bank's assistance included paper and paper products, footwear and wearing apparel, wood work and furniture, leather and leather goods, rubber, minerals and basic metals.

ENTREPRENEURIAL DEVELOPMENT

The figure for small scale industry also includes finance made available to craftsmen and other qualified entrepreneurs under the Bank's special schemes, which provide for 100 per cent financing, the only postulate being a worthwhile project, technically feasible and economically viable with ability to operate and manage the enterprise. At the end of 1972, 587 units were on the Bank's books with outstandings aggregating Rs 1.3 crores.

The Bank also operates special schemes in partnership with the State Industrial & Investment Corporation of Maharashtra and Gujarat Industrial & Investment Corporation to assist in the development of entrepreneurship. small and medium industries eligible under these schemes are provided term capital

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o-third one-third basis, while g working capital is provi-d entirely by the Bank. nphasis is also laid, where asible, on removing regio-l imbalances in the States.

With the same objective of romoting entrepreneurship, e Bank has started opera-ng, or is in the process of arting, certain special ser-ces in active collaboration ith other agencies concerned ith entrepreneurial develop-ent. The BINED Scheme arted in collaboration with e National Alliance of oung Entrepreneurs, has mmenced operating in the orthern Region from the ew Delhi Regional Office. offers a package of assis-nce to entrepreneurs includ-g project formulation and -plant training. The service gradually gaining populari-; 52 projects stood cleared at the end of June 1973, ith limits totalling Rs 89 khs, while fourteen others ere in process. The second, hich is now ready for laun-hing, is the Entrepreneurial linic-cum-Guidance Service, be operated in Vidarbha om the Area Office at Nag-ur, in association with the 'idarbha Industries Associa-on, the Vidarbha Develop-ent Corporation, Maharash-a Small Scale Industries evelopment Corporation, and tate Industrial Development orporation. This service too nvisages provision of a pac-age of assistance and a spe-al feature is the linking of e entrepreneurs to an ope-ating industrialist who will t as a "foster father" and ssist the entrepreneur in com-leting the various formali-es required in setting up the roject and in locating the ource of supply for the re-uired machinery and equip-ent. The third, which is urrently in the final stages of rocessing, aims at promo-on of ancillaries. It is to e operated from Bombay in ssociation with the Indian Merchants Chamber. The pre-minary response from indus-ialists, as to their interest promoting ancillaries, has een good. In addition, plans are afoot for setting up at our offices in important centres entrepreneurial clinics for providing consultancy ser-vices to entrepreneurs.

OTHER SMALL BORROWERS

Credit disbursed to other weaker sections of the com-munity, such as the road transport operations, retail trade, small business and professionals and self-em-ployed, increased in the aggre-gate by Rs. 1.40 crores, the number of accounts going up by 4,859.

A good part of the addi-tional assistance provided to transport operators in 1972 went to the small operators, such as persons plying cycle rickshaws, pulling carts, etc., where the credit needs of in-dividual borrowers were quite small. This resulted in a big increase in the number of borrowal accounts without commensurate addition to the quantum of advances disburs-ed during 1972.

In the case of educational loans, the number of indigent students assisted by the Bank rose over the year from 401 to 652

SPECIAL SCHEMES

The scheme of financial as-sistance to transport opera-tors was liberalised during the year; purchase of secondhand vehicles, tourist taxis and even small vehicles such as pull carts and pull rickshaws, is covered by the scheme.

A few other special schem-es were designed and put into operation to assist self-em-ployed and professionals; these aim at helping parti-cularly the weaker sections of the community, such as newspaper vendors, cobblers, hawkers and handloom wea-vers. For unemployed gradu-ates and disabled defence ser-vice personnel, the Bank has been operating a scheme, in collaboration with Indian Oil Corporation, to run petrol pumps. Where they have an chanical aptitude, they are agricultural base and/or a me-assisted to set up custom ser-vice units. Doctors and den-tists are given help through equipment financing to set up their clinics; and to enable the benefits of modern medi-cine to be carried to the hin-terland, away from the met-ropolitan towns, the terms of finance are made particular-ly liberal.

DIFFERENTIAL INTEREST RATES

The Differential Interest Rates Scheme, to which a re-ference appears earlier in the Report, has also been taken up vigorously for implemen-tation, covering, as it does, assistance to under-privileged sections of the community for their economic uplift. Finan-ce is provided at the conces-sional rate of 4 per cent. On the basis of the postulates in the scheme and our compa-ratively limited network of branches, the scheme was in-troduced at 80 branches of the Bank spread over in 33 districts. Though implemen-tation could start only to-wards the end of September 1972, the response from the staff for its implementation has been encouraging consi-dering the limited number of branches wherein the Bank could operate the scheme. As at the end of December 1972, more than 900 borrowers were sanctioned loans and the aggregate amount of the loans advanced was Rs 4.77 lakhs, with an average of Rs 526 per loan. The scope of the scheme has since (in March 1973) been extended to 265 districts, while there has also been a relaxation in the ceiling stipulated for each individual borrower. Following this, the Bank has commenced operating the Differential Interest Rates Scheme at 249 branches and it is hoped that the scheme would gather momentum in the coming months.

Apart from the Differential Interest Rates Scheme, the Bank is providing finance at concessional interest rates to small farmers with holdings upto 2.5 acres of irrigated or 5 acres of non-irrigated land or those engaged in allied agricultural activities with li-mits below Rs 5,000 per bor-rower and to small units in the small scale industrial sec-tor with limits upto Rs 21... per borrower. A conce... in the interest rates is ... given in the backward ... To the indigent students ... a specially reduced rate ... levied ranging between 4 ... 6 per cent per annum.

LEAD BANK SCHEME

During the year 1972, the Bank devoted its atten... largel to the creation of the required infrastructure, by way of a net-work of bra-ches in its lead districts. It may be recalled that, in 19.., Bank of India did not have any office in 17 out of 3. lead districts allotted to it, while in as many as 20 dis-tricts it had no branch even at the district headquarters. By the end of 1971, the bran-ch network had been ex-panded to cover all the dis-trict headquarters and 92 other centres. During 1972, the branch network was further strengthened and at Decem-ber end, the Bank had 2. branches in the four lead dis-tricts of Bihar (7 in July 1969), 48 branches in the nine lead districts of Madhya Pradesh (11 in July 1969), 63 bran-ches in the nine lead dis-tricts of Maharashtra (9 in July 1969), 7 branches in the two lead districts of Orissa (nil in July 1969) and 21 branches in the six lead dis-tricts of Uttar Pradesh (1 in July 1969). The coverage, however, has to improve fur-ther for the Bank to be able to operate effectively. And the programme of branch expan-sion for 1973 envisages the opening of 100 branches in the lead districts.

Progress was also made during the year in deposit mo-bilisation and lending ope-rations in the lead districts. Total deposits in these distric-ts at the year end were Rs 41.97 crores, while the total advances stood at Rs 16... crores, giving a credit-deposit ratio of 38.2 per cent, as against 36.0 per cent in 1971.

The consultative committees set up in the lead districts to identify schemes of develop-ment and co-ordinate the acti-vities of banks and other fin-ancial agencies in finance...

e schemes, have been meet-
g at periodical intervals, hough hitherto the discus-
ons have covered general iding to priority sectors, ex-
ange of credit information, ocedural problems, and al-
cation of areas for intensive velopment.

The Bank has now adop-
l the strategy of intensive eration in two lead districts each State, rather than sipating energy by attempt-
; to cover intensively all districts together. And the ogramme for action is to phased over a period of o to three years, by con-
ntrating attention by rota-
n in selected compact areas, order that the operations able to make an impact. e necessary organisational chinery for this purpose is ng created and it is hoped t this strategy will prove pful in moving faster to-
rds achieving the objectives.

Simultaneously, an inten-
e survey of each of the se-
ed districts has been taken hand, aimed at evolving on-oriented plans|schemes. ain district in Madhya desh was the first to be en up; the survey has re-
tly been completed and survey report is getting ly.

Meanwhile, such schemes| jects as were available had a bias for area or mmunity development have n taken in hand and their ncing is under way. These er, apart from SFDA| AL schemes in Ratnagiri Bhandara districts in harashtra, Ranchi district Bihar, and Ujjain and Se-
e districts in Madhya Pra-
h, energisation of 8,000 s through Electricity rds in Maharashtra and ar Pradesh, construction wells and minor irrigation ects directly or under IDA grammes in lead districts Maharashtra and Madhya desh, and IDA market elopment project in Har-
district in Uttar Pradesh. Bank's aggregate commit-
n is over Rs 17 crores.

OPERATIONS—OVERSEAS

The Bank's overseas branches and Nigerian subsidiary continued to make steady progress, registering improved operating results.

During the past two years, quite a few steps have been taken to make the Bank internationally more active. Overseas offices and subsidiaries provide a useful link for such operations. Accordingly, the net-work of Bank's foreign offices|agencies is being expanded.

In the U.K., the Bank opened, during the year, its sixth branch at Wembley, while arrangements are in train for opening branches at two more centres.

In Europe, the proposal to open a branch in Paris is now in its final stage of clearance and it is expected that this branch would be in operation towards the end of 1973.

In the Far East, arrangements were made during the year to open, to start with, a representative office in Indonesia at Jakarta. This office, which will prove a useful addition to our Far East branches, has gone into operation from 28th February 1973.

In Kenya, the Bank agreed to the request of the National Bank of Kenya Limited —a State owned commercial bank —to hand over to them its branch in Kisumu. And the handing over was completed as at December 30, 1972. The Bank's branches in Kenya now number two—Nairobi and Mombasa.

The business of the Bank's subsidiary in Uganda—The Bank of India (Uganda) Limited—was formally handed over, pursuant to an agreement reached with the Bank of Baroda, to the Bank of Baroda (Uganda) Limited as at 30th June 1972.

The subsidiary in Nigeria —The Bank of India (Nigeria) Limited—is being made more active. To that end, arrangements were set in train to establish more branches and the subsidiary's first branch office will shortly be opened at Ibadan in Western Nigeria. A detailed discussion is embodied in the report of the Chairman of the Annual General Meeting appended to this Report.

USE OF HINDI AND REGIONAL LANGUAGES

The Bank has taken steps to encourage increasing use of Hindi and regional languages in its day-to-day operations, especially in the rural areas. Hindi forms have been introduced in the Northern, Central and Eastern Regions and correspondence in Hindi has been introduced at a few branches. Cheques made out in Hindi or other regional languages are freely accepted and dealt with in the normal course, if otherwise in order. The Bank's publicity material is also brought out in Hindi and other regional languages.

Hindi Cells are shortly being set up at Head Office and at New Delhi, Lucknow and Bhopal Regional Offices, as well as at Patna Area Office.

THE ORGANISATION

The organisational set-up was further strengthened during the year following the lines discussed in detail in the previous year's (1971) Report. It is hoped that its final phase will get completed in 1973. The scheme of delegation of financial and administrative powers was reviewed in the light of the job requirements and responsibilities in the emerging new organisational set-up and the Regional, Area and Branch levels entrusted with wider powers aimed at expediting the decision-making process and taking the dceisions close to the field of operations.

A change was also introduced in the operational strategy of the Bank management. Clarifying the objective of management as improvement of management in practice, an 'action-oriented' management system was adopted with 'Co
porate Planning' as the 'co
function' and 'to make thin
happen according to plan'
the 'core action'. Followin
this, preliminary steps we
also taken for introduction
the system of 'Performanc
Budgeting' and it is hope
that the system would get int
operation in 1973.

MANPOWER PLANNING RECRUITMENT AND TRAINNING

With the continuing cons
traint of shortage of person
nel on the one hand and th
pace of expansion of th
Bank's activities, both i
scope and content, continuin
unabated on the other, parti
cular attention was given t
manpower planning, recruit
ment and training. A detaile
manpower plan covering th
staff requirements for th
three years 1972, 1973 an
1974, was prepared as th
basis for action. And, step
were taken to expedite the re
cruitment process, both fo
workmen as well as officer
staff. Training facilities were
augmented and crash training
programmes devised, with a
judicious combination of in-
company and formal training
for direct recruits.

Thus, over the year, apar
from a massive recruitment of
workmen staff, 125 Special
Assistants and 644 officers—
470 on promotion and 174
from the market were appoin-
ted. In addition, recruitment
of some specialists such as
Civil Engineers, Economists|
Statisticians, Technical Offi-
cers, Law Officers, Personnel
Officers and Hindi Experts
was in progress.

In this context, it may be
stated that the Bank has been
giving due emphasis to re-
cruitment of socially and eco-
nomically backward members
of the community by provid-
ing for reservation of vacan-
cies and permitting certain
relaxations in the eligibility
standards. And, as at the end
of December 1972, there were
552 employees belonging to
scheduled castes and 50 be-

BANK OF INDIA

longing to scheduled tribes on the roll of the Bank.

During the year, new Regional Training Centres were established at Poona and Bombay, and plans were afoot to establish such training centres at Lucknow and Patna. Thus, by the end of the year, there were seven training centres functioning, in addition to the Bank's residential Staff Training College at Andheri (Bombay) and the Joint Staff Training College (operated jointly with the Bank of Baroda) at Bombay. Apart from the crash training course for direct recruits aforementioned, special training courses were designed for rural branch agents, for agricultural finance, finance to small industry and personnel management. The courses for the workmen staff were also redesigned and special courses introduced for Special Assistants and rural branch clerks.

The Staff Training College, Andheri in Bombay concentrates its efforts on training officers and providing specialised courses. Periodically, it also conducts courses for the trainers. Further, the College guides the Regional Training centres in the conduct of the courses thereat.

The total number of clerical staff trained during the year came to 730 and officer staff to 452. When all the training centres get into full operation by the end of 1973, the training capacity would increase, for the Bank to meet substantially the growing requirements of training.

STAFF RELATIONS AND STAFF WELFARE

The staff relations continued to be cordial throughout the year. The Board of Directors take this opportunity to place on record their appreciation of the services rendered by the staff at all levels, their willing response to the calls repeatedly made on them and the hard work put in by them during the year—a period of even greater stress and strain than 1971.

Some progress was made during the year in the field of staff welfare and it is hoped that a formal Staff Welfare Scheme would get into operation in 1973. It is heartening that the Bank's name has commenced appearing in the sports columns of the newspapers, reflecting the progress made by the Bank's teams in outdoor as well as indoor sports.

BOARD OF DIRECTORS

During the year, Shri P.D. Kasbekar resigned from the Board, and in his place Shri M.K. Venkatachalam was nominated as the Government Director. In December 1972, the Board was reconstituted giving representation to interests of depositors, farmers, artisans and others. Thereupon, Shri C.D. Khanna and Dr Dharam Narain ceased to be Directors, while Shri P.N Khanna was nominated to represent the Reserve Bank vice Shri A. Raman. Shri G.D. Parikh and Shri Manohar Singh Mehta continued on the new Board, as also Shri M.K. Venkatachalam, the Government Director. Four new Directors were appointed, Shri Rahmatullah Ansari, Shri Sukru Bhagat, Shri B.L. Passi and Brig. K.K. Varma. In addition, Shri V.M. Chitnis was appointed to represent the workmen staff and Shri A.R. Sule to represent the officer staff of the Bank. The inclusion in the Board ... for a welcome innovation, ushering as it does the beginning of participative management.

The Board of Directors ... this opportunity to place on record their appreciation of the services rendered, ... the able guidance as well ... direction given, in the super-intendence of affairs of the Bank, by the outgoing Directors.

For & on behalf of the Bo
of Direct
J.N. SAXE

Chairman & Managing Dire

BOMBAY. 29TH JUNE, 1973

BANK OF INDIA

Balance-sheet (condensed) as at 31st December 1972.

Rupees in crores

	As at 31.12.1971	ASSETS		As at 31.12.1972
	57.19	Cash and Balances with other Banks (incl. Money at Call and Short Notice)		80.60
	156.63	Investments		198.15
	411.32	Advances (incl. Bills Discounted and Bills Purchased)		436.55
	6.49	Premises & Furniture & Fixtures		6.76
	30.77	Bills Receivable		32.36
	46.51	Constituents' Liabilities for Acceptances, etc.		45.82
	10.21	Other Assets		9.85
	719.12	TOTAL ASSETS		810 09
		LIABILITIES		
144.34		Current Accounts, Contingency Accounts, etc.	167.09	
149.73		Savings Bank Deposits	169.20	
283.92		Fixed Deposits	349.21	
	577.99	Total Deposits		685.50
	45.18	Borrowings from other Banking Companies, Agents, etc.		23.92
	6.04	Bills Payable & Other Liabilities		9.37
	30.77	Bills for Collection, being Bills Receivable		32.36
	46.51	Acceptances, etc.		45.82
	0.84	Dividend Payable		0.85
	707.33	TOTAL LIABILITIES		797.82
		Capital & Reserves		
4.05		Paid-up Capital	4.05	
7.74		Reserves	8.22	
	11.79	Total Capital & Surplus		12.27
	719.12	TOTAL		810.09

PROFIT & LOSS ACCOUNT (CONDENSED)

Rupees in Crores

INCOME (after making the usual & necessary provision)

	for the year 1971			for the year 1972
	38.08	Interest & Discount		43.11
	3.82	Commission, Exchange & Brokerage		4.55
	0.53	Other Income		0.54
	42.43	TOTAL INCOME		48.20
		EXPENDITURE		
	23.78	Interest paid		27.08
	11.80	Salaries, etc.		13.50
	4.50	Other Expenses		5.22
	40.08	TOTAL EXPENDITURE		45.80
	2.35	Balance of Profit		2.40
0.54		Transferred to Reserve Fund	0.48	
0.87		Appropriated towards Bonus to Staff	0.97	
0.10		Appropriated towards Staff Welfare Fund	0.10	
0.84		Dividend	0.85	
	42.43	TOTAL		48.20

RECORDS AND STATISTICS

IMF deplores state of flux

COMMENTING on the current situation with respect to international currency relationships, the Annual Report of the International Monetary Fund for the fiscal year 1973 observes that these relationships lack firm foundation in an internationally agreed set of rules or code of conduct. In this respect, despite continuing consultation and a substantial degree of cooperation among national monetary authorities, the situation is not consistent with one of the prime conceptions in the founding of the Fund--that exchange rates are intrinsically a matter of international concern. The need to bring exchange rate policies and practices under the framework of a system founded on international agreement and commanding general support--whatever may prove to be the particular characteristics of that system--is an important aspect of international monetary reform.

After pointing out that a strong cyclical upsurge in economic activity, high rates of price inflation, and currency crises and unrest punctuated by another realignment of major currencies in February-March 1973 were the main features of world economic developments in 1972 and the first half of 1973, the Report, notes that, with key elements of the Bretton Woods system no longer observed, the work of reforming the international monetary system continued in the Fund through the Committee of Twenty.

In reviewing the main current trends in economic activity, the Report focuses on the serious difficulties manifested in persistently high rates of price inflation, occurring in a general climate of rap d expansion in total output and rising capacity-utilization r..tes. The Report emphasizes that, among the difficult tasks of economic management facing most members of the Fund, and notably the major industrial countries, none is more urgent, or of greater significance for the longer run, than that of controlling and reducing inflation.

In the field of international trade and payments, the Report describes the trade boom now in progress and sees a possibility that the large disequilibrium in current account balances of the major industrial countries will be reduced substantially in 1974. The Report also reviews the effects of currency realignments and greater exchange rate flexibility on the developing countries, observing that the environment of greater exchange flexibility that has emerged appears to confront these countries with more uncertainties and some new problems of adaptation.

In its discussion of international liquidity, the Report notes that international reserves continued their rapid rise during 1972 and the first half of 1973, and that statistical calculations made by the Fund indicate a considerable excess of global reserves over present reserve needs. Also emphasized, however, are a number of considerations, including the uneven distribution of reserves among countries and the increase in the international mobility of capital, that must be taken into account in assessing the significance of changes in total reserves.

Turning to Fund activities, the Report says that both the use of special drawing rights and drawings on the Fund's General Account declined considerably in the past fiscal year, while demand from member countries for the Fund's technical assistance in the field of central banking and public finance expanded sharply.

The foreign exchange crises of the past two years have led to profound changes, which are summarized in the Report' in both the structure of exchange rate relationships among currencies and the nature of the exchange rate system itself. By the beginning of 1972, the system had changed from one in which most countries maintained the exchange rates for their correncies within relatively narrow margins--by reference to the U.S. dollar, the pound sterling, or the French franc--to a system in which the permitted margins of fluctuation around parities and central rates were widened. Subsequently, in the early part of 1973 eight European industrial countries made arrangements to maintain stable rates for their currencies within agreed margins only in terms of their respective currencies; the other industrial countries and a number of primary producing countries decided or continued to float, that is, not to ensure the maintenance of exchange rates within announced margins; and still others--including almost all the developing countries--decided to maintain relatively stable rates for their currencies with respect to a single currency, usually the US dollar, the pound sterling, or the French franc. These developments--details of which are described in the Report--have brought major changes in the manner, extent, and purpose of official intervention in exchange markets, as well as in the forms of official settlements between countries; such changes, in turn, have considerably altered the functioning of the exchange markets [illegible] number of countries.

Exchange rates and arrangements remain in a state of [illegible] the Report observes. R[illegible]ration of more stable rates [illegible] be contingent on the develo[illegible]ment of market confidence that the necessary balance [illegible] payments adjustments are [illegible] progress, and restoration [illegible] more stable arrangements *de jure* must await fruit[illegible] the negotiations on international monetary reform. Meanwhile, it is stressed, m[illegible] countries have a responsib[illegible] to continue their cooperat[illegible] efforts and to remain mindful of international consideration[illegible] i.e., of the interests of oth[illegible] countries, in conducting th[illegible] policies in the exchange field.

The Report notes the i[illegible]pact of strains in foreign e[illegible]change markets and uncerta[illegible]ties regarding currency relatio[illegible]ships upon the internation[illegible] gold markets. Reflecti[illegible] widespread speculative activi[illegible]ty, the London gold price r[illegible] to a high point of $12[illegible] [illegible] ounce in early June and aga[illegible] in early July before recedi[illegible] to a range of $114-116 an oun[illegible] in the middle weeks of July.

In early 1972, following [illegible] two-year period of econom[illegible] slowdown, national polici[illegible] designed to stimulate econo[illegible]mic recovery were taking ho[illegible] in many industrial countrie[illegible] particularly in the Unit[illegible] States. The figures presente[illegible] in the Report indicate an a[illegible]celerating pace of activity: fo[illegible]lowing a 3 1/2 per cent grow[illegible] of the industrial countries' ou[illegible]put from 1970 to 1971, t[illegible] annual rate of expansion ro[illegible] to 5 1/2 per cent in 1972 a[illegible] to an annual rate of more tha[illegible] 7 per cent from the secon[illegible] half of 1973.

In contrast to the mark[illegible] slowdown and pickup of ac[illegible]vity in the major indus[illegible] countries during recent yea[illegible] the overall cyclical pattern [illegible] the primary producing coun[illegible]ries was not very pronoun[illegible] and there were important di[illegible]rences among countries a[illegible] regions in the group. On [illegible] whole, the growth of total [illegible]put in the less developed co[illegible]tries appears to have been [illegible]


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:ly well sustained during 0 and 1971, and the accele-ion . of their economic wth now recorded for 1972 ; quite modest. Over the t several years, the growth : of the less developed ntries as a group averaged l over 6 per cent, appreci-y highert han the 5 1/2 per t average annual rate for decade of the 1960s.

According to the Report, single factor appeared to be the root of the powerful m in the industrial count-. Expansionary fiscal and netary policies had estab-ed conditions for a broad lical upswing by the latter t of 1972. In recent quar-, as the prevailing slack in ization of resources was ng reduced, sharp increases eal investments contribut-to the cyclical momentum; eign trade, particularly ong the European countries, ; surging ahead; stockbuild-, which tends to be cyclical-elated both to investment to foreign trade, seems to e contributed importan-to the expansion in many, Japan, and Canada; l real consumption expand-at generally high rates.

The broad upward surge of l economic activity in recent rters coincided with a faster of price inflation. During 2, inflation had moderated ome of the major indust-countries because of such ors as increased producti-(characteristic of the early ges of cyclical recovery) and effects of income policy, but favourable trend was not tinued in the early part of 3. Price increases accelera-in most industrial countries, particularly in the United tes, Japan, Germany, and y; GNP deflators for the ustrial countries are estimat-to have increased on aver-by more than 6 per cent at annual rate in the first half 1973.

It is not clear how far the elerated price increases can ascribed to "overheating" the usual sense of excessive regate demand. Levels of acity utilization were not normally high in most industrial countries in early 1973, but the rapid and widespread changes in such levels undoubtedly were contributory influences. To a considerable extent, the Report notes, the renewed acceleration of price increases has to be understood in more particular terms; e.g., supply shortages underlying the problem of food prices both in Europe and in the United States, the weakening of restraints on inflation and changing of price expectations occasioned by the move from Phase II to Phase III in the U.S. price and incomes policy, and the sharp increase in prices of nonfood agricultural commodities that reflected not only the general strengthening of industrial activity but also stock replenishment and speculative buying.

The Report reviews the public policies adopted in the recent period to deal with the cyclical and infletinary influence that have been impinging on the major industrial economies. Several considerations are cited as indicative that the problem of controlling and reducing price inflation in the industrial countries is by no means easy to resolve. The present cyclical situation is generally not favourable, or conducive, to an abatement of inflation; the role of fiscal and monetary policies is a crucial but difficult one; and there seems to be a growing belief that the task of dealing effectively with inflation will require national governments to use a wide range of policy instruments—to buttress fiscal and monetary policies with other policy measures such as incomes (including prices) policy, regional policies, manpower policies, and the like, depending on the particular circumstances. Notwithstanding such considerations, the Report observes, the point chiefly deserving emphasis is the need for national authorities—and especially those of the main industrial countries—to give the problem of inflation very a high priority in the formulation and conduct of economic policies.

The Report notes that the expansion of world trade was remarkably well sustained throughout the recent period of difficulty in the management of currency relationships. The volume of world trade increased by more than 8 per cent from 1971 to 1972, approximating its average growth rate of the 1960s, after having slackened to 5 1/2 per cent in 1971. The expansion accelerated in the first half of 1973, when world trade volume is estimated to have been about 12 per cent above its level a year earlier.

Industrial countries' exports advanced on a broad front in 1972, with only Japan and the United Kingdom showing an export volume growth appreciably below long-term averages. Among primary producing countries, export gains were strongest for the more developed countries, which benefited from particularly strong world demands for such goods as wool and meat, and from generally sharp increases in commodity prices. Exports from developing countries also reflected rising commodity prices in 1972, but rose only moderately in volume; these exports are expected to advance more strongly during 1973 as the cyclical upswing in the industrial countries progresses and as the recent soaring of commodity prices is more fully reflected in export earnings. Among the developing countries, wide differences in export gains continued to be evident, with the largest increases in export proceeds being registered by the oil exporting countries.

The Report stresses the unsatisfactory pattern of current account positions of industrial countries recently prevailing; the imbalance worsened substantially in 1972 and was only beginning to show signs of mitigation in the early part of 1973. Also tending to sustain uneasiness over international payments problems was the fact that the prevailing pattern of capital flows to or from major industrial countries did not facilitate the financing of current account balances. Indeed, capital outflows from the United States compounded the problem of financing the large US deficit on current account in 1972, while capital inflows further swelled the reserves of some countries whose current accounts were in substantial surplus. These inconsistencies played an important part in the outbreaks of severe foreign exchange market pressures that occurred intermittently from about mid-1972 to mid-1973.

Despite the recent volatility of capital flows among the industrial countries, the combined net flows of financial resources from those countries to the primary producing countries displayed considerable strength in 1972. This net flow reached an estimated $20 billion in 1972, compared with about $18 billion in 1971, and the enlarged flow coincided with a marked reduction in the combined current account deficit of the primary producing countries to bring about an unusually sizable addition to their international monetary reserves. For this whole group of countries, the aggregate overall balance of payments surplus of some $16 billion in 1972 was approximately twice as large as the corresponding 1971 surplus, which was already large by historical standards. The reserves built up through these recent surpluses provide for many primary producing countries a potentia cushion to support continued expansion of imports in the event of a reduction in capital inflows because of the recent trend towards tightening of monetary conditions in the industrial countries.

Regarding the short-run outlook for external payment in the industrial countries, the Report says that a primary consideration is the probability that a number of major countries will continue to experience large imbalances in their current account positions in 1973. Positive effects of the 1970-71 and early 1973 exchange rate changes should in the course of 1973 bring some alleviation of the large disequilibrium that has characterized major current account position in recent years, notably including the US deficit; but not until 1974 can one expect to ob

serve a substantial measure of adjustment toward the intended pattern—an adjustment whose speed and scale will depend on the domestic policies of the countries concerned.

Such a finding with respect to the impact of exchange rate changes, the Report adds, is consistent with the broad agreement expressed last March by Ministers of Finance and others that the effective depreciation of the U.S. dollar that had emerged from the second currency realignment was realistic and adequate. The marked changed that occurred in the relationships among major currencies from mid-May to the latter part of July, featuring a further depreciation of the U.S. dollar against major European currencies, raise two related questions concerning (a) the extent to which floating rates can be relied upon to reflect underlying trends, and thus to achieve a realistic pattern of exchange rates, and (b) the extent to which spot rates in the exchange markets should, as a matter of policy, be allowed to deviate from rates considered to be appropriate in the longer term.

Given the prospect that several major industrial countries will continue to have large imbalances in their external current accounts in 1973, the avoidance of excessive overall payments surpluses or deficits —or of strong pressures on exchange rates under a regime in which the relationships among currencies are not fixed—now depends greatly on the emerging pattern of capital flows. That pattern itself, the Report notes, may depend in considerable part on national policies with respect to exchange market intervention, as well as on the more general characterstics of national financial policies and conditions.

The Report appraises the impact of the early 1973 changes in the exchange rate structure on the trade, reserve assets, and long-term debt of developing countries. It also examines some of the implications of greater exchange rate flexibility for the developing countries.

During the early 1973 realignment, the developing countries followed exchange rate policies that resulted in an average effective depreciation of their currencies, in relation to those of all developed countries combined, amounting to approximately 2 per cent. A slightly adverse shift in the average terms of trade for developing countries is thus implied.

After the early 1973 reordering of currency relationships, reserve assets such as SDRs, reserve positions in the Fund, gold, and non-dollar currencies held as reserves became more valuable in relation to U.S. dollars, while dollar reserves became less valuable in relation to other reserve assets. The Report estimates that these valuation changes, coupled with realignment-related changes in prices of imports, brought a decline of somewhat more than 2 per cent in the international "purchasing power" of reserves held by developing countries. Similar considerations apply to the external debt of developing countries, whose long-term debt is estimated to have been reduced in real terms by some 1½—2 per cent as a result of the early 1973 changes in exchange rate relationships.

The fact that currency relationships at the present time do not conform to international agreement, the Report points out, is a matter of particular importance to the developing countries in view of their vulnerability in this regard. One aspect of this vulnerability is that highly variable relationships among the major currencies are likely to have a destabilizing impact on the developing countries, affecting them in ways generally unrelated to their own adjustment needs.

Even if one sets aside the abnormalities of the current situation, it is apparent that exchange rate flexibility in the major industrial countries confronts the less developed countries with an assortment of new uncertainties. After reviewing the problems of uncertainty and exchange rate policy decisions arising in the context of greater exchange rate flexiblity, the Report concludes that the less developed countries doubtless suffer a comparative desadvantage in relation to the larger industrial countries. Because of such factors as institutional deficiencies, shortages of technically skilled personnel, limitations on information and communications facilities, and remoteness from major financial centers, many developing countries seem likely to be under some handicap in dealing with the problems generated by the prevalence of more flexible exchange rates. At the same time, it should be emphasized that, in any comprehensive assessment of the impact of greater rexchange rate flexibility on the developing countries, the central issue would relate to the question of whether or not an exchange rate regime involving greater flexibility would contribute to an improvement in the functioning of the international adjustment mechanism—an improvement in which the developing countries have an important stake.

During 1972 international reserves continued their very rapid expansion. Combined official holdings of all countries rose by 91 per cent in the three-year span from the end of 1969, to the end of 1972, reaching SDR 144.6 billion. Although the increase in 1972, did not match the record increment of the preceding year, it nonetheless added some SDR 23.1 billion to total reserves. The Report estimates that transactions added roughly another SDR 10 billion to official foreign exchange holdings during the first half of 1973, but that US dollar devaluation and other currency changes reduced the value of such holdings in terms of SDRs, so that the total stock of reserves showed little net change.

Official reserves include SDRs, reserve positions in the Fund, and official holdings of gold and foreign exchange. In 1972 gold holdings decreased slightly (by SDR 0.3 billion), and member countries' aggregate reserve positons in the Fund remained virtually unchanged. There was an addition of SDR 2.9[illegible] to reserve holdings thr[illegible] third and final SDR all[illegible] for the first basic period. [illegible] expansion of countries' [illegible] holdings of gold, SDR[illegible] reserve positions in the [illegible] thus came to the equiv[illegible] SDR 2.5 billion during [illegible] Excluding the allocati[illegible] SDRs, the other holdings [illegible] by some SDR 450 milli[illegible] contrast, the foreign exc[illegible] element in reserves regis[illegible] gain of SDR 20.6 billion.

In analyzing the ri[illegible] foreign exchange holdings, [illegible] Report finds that once aga[illegible] financing of the US bala[illegible] payments deficit was the m[illegible] contributing factor, althoug[illegible] a much reduced rate—[illegible] SDR 10 billion in 1972, d[illegible] from SDR 27.4 billion in 1[illegible] The Report notes that forei[illegible] exchange assests in f[illegible] other than direct claims on t[illegible] United States continued to ri[illegible] to rise at a rapid rate, but t[illegible] data are still too fragmenta[illegible] to allow a detailed descripti[illegible] of this diversification of forei[illegible] exchange holdings. Indicatio[illegible] are that Euro-dollars aga[illegible] showed significant growth a[illegible] that an important compone[illegible] of the increase in non-dol[illegible] exchange reserve holdings co[illegible] sisted of other Euro-currenci[illegible] among which the deutsc[illegible] mark was especially promine[illegible] The tendency to broaden t[illegible] types of foreign exchange he[illegible] as reserve has been contin[illegible] largely to primary produc[illegible] countries.

The pattern of reserve d[illegible] tribution changed notably [illegible] 1972. While over 80 per ce[illegible] of new reserves accrued to t[illegible] industrial countries other th[illegible] the United States in 1970 a[illegible] 1971, these countries rece[illegible] less than 38 per cent of the 19[illegible] increase. Among the gro[illegible] France, Germany and Ja[illegible] showed very large incre[illegible] while the holdings of the U[illegible] ted kingdom and Italy decl[illegible] substantially. By the end [illegible] 1972, the aggregate holdi[illegible] the industrial countries ([illegible] excluding the United S[illegible] had declined to less t[illegible] per cent of the world [illegible] compared to 63 per cent a [illegible] before.

Despite great dive[illegible]

reserve positions of individual less developed countries, the combined reserves of these countries increased very rapidly in 1972 (by 29 per cent for oil exporters and by 36 per cent for countries other than oil exporerts) and reached about one fifth of the world total at the end of the year. The group experiencing the fastest rise was the more developed primary producing countries, whose reserves increased by 59 per cent in 1972 compared with 42 per cent in 1971.

In its review of the adequacy of global reserves the Report finds that the excess of reserves over calculated reserve needs was higher at the end of 1972 than it had been a year earlier and that the floating of major currencies had made a further contribution to "reserve ease" in the first half of 1973, but that the unevenness of reserve distribution among countries and other factors were elements offsetting the effect on global reserve ease of the rapid rise in the supply of reserves.

To make these assessments, the Report uses two approaches. The first is a purely statistical appraisal which compares actual reserve holdings with the volume of reserves that might be judged to be appropriate on the basis of historical relationships to other economic magnitudes, such as the ratio of reserves to imports. The excess of actual reserves over reserves needs then indicates the degree of reserve ease. The second approach focuses on policy measures with which countries respond to their reserve situation, and infers changes in the degree of reserve ease from the conduct of such policies.

Under the first approach, an excess of global reserves over reserve needs is calculated at SDR 20-27 billion on average during 1972 and at SDR 23-31 billion at the end of 1972. But this purely statistical result has to be supplemented by several qualitative and quantitative considerations, the Report notes. Reserves were unevenly distributed among countries, so that well over half of total excess reserves in a sample of 65 countries could be ascribed to four developed countries and almost one fourth to five oil exporting countries, while 40 countries showed no excess reserves. The Report points out that an uneven distribution of reserves lowers the degree of global reserve ease, because low-reserve countries may be subject to pressures whose effect is not compensated for by the corresponding reserve ease of high-reserve countries. The Report also observes that, in estimating reserve needs, some allowance must be made for the increase in the international mobility of capital, which subjects official reserves to potential sudden drains and thus requires reserve holdings that are sufficiently large to withstand expected or potential losses with a substantial safety margin.

On the other hand, the Report points out that there was a reduction of reserve needs because of the floating of several major currencies during recent months. Countries with floating currencies have less occasion to use reserves, the Report says, adding, however, that the reserve needs of countries whose exchange rates are pegged on floating currencies may not be reduced at all, and could even be increased. The Report also mentions the large rise during 1972 and first half of 1973 in the market price of gold relative to the official price, causing central banks to be reluctant to part with gold at the official price. But it is difficult at this time to judge the effect of these developments on reserve ease, the Report says.

When the degree of reserve ease is judged under the second approach (i.e., by examining member countries' balance of payments and reserves policies), the general impression obtained from using the first approach is confirmed or at any rate not contradicted. Most of the policy measures examined in this context reflect greater reserve ease. In particular, restrictions on the freedom of trade and payments were generally reduced in 1972, and reliance on balance of payments credits, such as drawings on the Fund and the use of swap credit, declined. Concerning demand management policies, the Report notes that although inflation had started before reserve ease had become pronounced, and indeed at a time when reserves were still deemed to be inadequate, the lack of success of many governments in checking inflationary developments during 1972 can be taken as indirect evidence of a substantial degree of reserve ease in a large part of the world.

The developments in the foreign exchange markets since August 1971 involving the inconvertibility of the US dollar, the high price of gold in the private markets and the floating of number of major currencies, have had their impact on the operations of the Fund. Official transactions in gold have virtually ceased, and transactions in SDRs and members' use of the Fund's resources diminished in amount. The Report notes some factors that have probably contributed to the reluctance of members to use reserve assets such as the uncertainty about the future role of gold and the valuation of Fund related assets (indebtedness to the Fund is fixed in terms of gold). The ample supplies of international liquidity and the use of exchange rate adjustments, rather than reserves, to meet balance of payments difficulties have also lessened the need to use these assets.

Following the proposed devaluation of the US dollar in February 1973, the Fund decided to make computations for transactions in both the General Account and the Special Drawing Account, excepting those in US dollars on the basis of a value for the US dollar which reflected the announced prospective par value rather than the present par value of the dollar. In the operations of the General Account, the Fund was constrained in the use of some currencies and, in general, used the same currencies in both purchases, and repurchases, thereby tending to even out the effects of Fund transactions on the composition of members' reserves.

The Report notes that, against this background of uncertainty and change, work on the reform of the international monetary system continued. The Committee of Twenty (formally the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues), which was established by a resolution of the Board of Governors on July 26, 1972, had an inaugural meeting at the time of the Annnal Meeting in September 1972, and met again in March and end July 1973. The Deputies of the Committee of Twenty held their inaugural meeting also in September 1972 and met for working sessions in November 1972, and in January, March, May and mid-July 1973. Consideration of a draft outline on reform was begun at the May meeting of the Deputies and continued in mid-July. The main issues that had arisen from the Deputies' work on the draft outline were peesented to the Committee for the working meeting at the end of July. It is anticipated that the Committee will hold a further meeting immediately preceding the Annual Meeting of the Board of Governors to be held on September 24-28 in Nairobi and that an outline of reform will be submitted to the Governors at the Annual Meeting.

Reviewing the exchange rate developments during the period the Report mentions the continued instability and growing speculative pressures. It discusses the sequence of events that took place in the first half of 1973—the establishment of a two-tier market for the Italian lira, the floating of the Swiss franc and the announcement by the United States of its intention to devalue the dollar; followed by the floating of the lira and the yen the closing of the official exchange markets from March 2 to 19; the revaluation of the deutsche mark by 3 per cent in March and by another 5

per cent at the end of June; and the decision of six members of the European Economic Community (Belgium, Denmark, France, Germany, Luxembourg, and the Netherlands) to maintain a maximum margin of 2.25 per cent between their currencies while establishing a joint float against the dollar. Norway and Sweden later became associated with this arrangement.

The Report summarizes the currency situation as of mid-July 1973 as follows: seven industrial countries—Austria, Canada, Italy, Japan, the United Kingdom, the United States and also Switzerland—were no longer maintaining rates of exchange within announced margins while the other industrial countries—the six EEC members mentioned above plus Norway and Sweden—maintained margins for exchange transactions among their currencies. A large proportion of the remainder of the Fund membership maintained stable rates for their currencies in terms of a single intervention currency—usually the US dollar, the pound sterling, or the French franc.

The use of SDRs had declined markedly during the fiscal year 1972/73, to SDR 518 million, from SDR 1,178 million in 1971/72 and SDR 1,056 million in 1970/71. The Report attributes this decline to the fact that many countries had no balance of payments need to use SRDs to obtain foreign exchange, as well as to the widespread desire to retain SDRs in a time of uncertainty as to the future value of currencies.

Only eight participants used SDRs to obtain foreign exchange through the designation procedures under which participants with strong balance of payments and reserves are designated by the Fund to provide currency to the user in exchange for SDRs. The SDRs 117 million transferred in this way was less than half the total of similar transactions in 1971/72. The rules and procedures for designation were reviewed by the Executive Directors, and it was agreed not to adopt any new ones since the designation mechanism would have to be discussed in the context of international monetary reform.

SDR transactions by agreement between participants occurred only twice during fiscal 1972/73 and amounted to SDR 304 million. In July 1972, the United Kingdom used SDR 292 million to redeem sterling balances acquired by European countries in supporting sterling within the narrower margins arrangements of the EEC. In a similar transaction in November 1972, the Netherlands used SDR 12 million to redeem guilder balances from Belgium.

Furthermore, participants used SDR 68 million to repurchase their currencies from the General Account (compared with SRD 501 million and SDR 357 million used in the two preceding fiscal years), partly reflect an increased preference for using currencies instead of SDRs in repurchase. They also used SDR 30 million to pay charges to the General Account. A tottal of SDR 401 million was transferred from the Generol Account to participants, leaving the General Account with a balance of SDR 617 million on April 30, 1973, as compared to SDR 910 million at the end of the preceding fiscal year.

The Managing Director continued his discussions with participants in the Special Drawing Account on the possible duration of a second basic period, which began on January 1, 1973, on possible allocations of SDRs during that period. The Report points out that the Managing Director has been unable to present a proposal that had broad support among participants and that he continues to be obliged to make a Fund's proposal whenever he is satisfied that it could be made consistently with the Articles.

The Report notes that both purchases of currencies from the Fund and repurchases declined in fiscal year 1972/73. The valume of purchases at the equivalent of SDR 1,175 million was only slightly morethan half of the total in 1971/72.

Repurchases, at SDR 540 million, declined even more sharply from the previous year's level of SDR 3.1 billion. The excess of purchases over repurchases, which constitutes the net use of the Fund's financial resources, increased by SDR 635 million during the fiscal year 1972/73, compared with declines in the two preceding years.

Purchases were effected by 26 member countries including Bangladesh, Equatorial Guinea and Zaire which used the Fund's resources for the first time. Almost 75 per cent of total purchases were made in the first three months of the fiscal year. Over half the total amount comprised gold tranche purchases by eleven members; the largest gold tranche purchase, equivalent to SDR 584 million, was made by the United Kingdom. Purchases under stand-by arrangements declined slightly from SDR 220 million by 13 members in 1971/72 to SDR 213 million by 10 members in 1972/73, all of them for primary producing countries. Stand-by arrangements approved totaled SDR 322 million, slightly more than the SDR 314 million approved in the previous fiscal year. Eight members purchased SDR 206 million under the Fund's compensatory financing facility, SDR 39 million more than in the previous year. The Fund's buffer stock facility was used by three member countries in purchases totalling SDR 5 million to facilitate the financing of their contributions to the Fourth International Tin Agreement. In April 1973, the Executive Directors decided to provide financial assistance to member countries participating in the International Cocoa Council for the purpose of establishing a cocoa buffer stock.

The Fund's total operational income, consisting largely of charges paid by its members on Fund currency holdings in excess of quotas, amounted to SDR 41.6 million, as compared with SDR 72.2 million in fiscal year 1971/72 and SDR 135.6 million in fiscal year 1970/71. Operational expenditures, consisting entirely of payments [illegible] neration to creditor [illegible] were SDR 29.3 million, [illegible] changed from the SDR [illegible] million of the [illegible] This left the Fund [illegible] operational income [illegible] 12.2 million as compared [illegible] SDR 40.5 million in fiscal [illegible] 72 and SDR 86.3 million [illegible] cal 1970/71. Net [illegible] and fixed property expend[illegible] were SDR 34.0 million, [illegible] total expenditures exceed[illegible] income by SDR 21.7 mi[illegible] in fiscal years 1972/73.

During 1972/73 the Fu[illegible] completed 85 regular cons[illegible] tations with member countr[illegible] an increase from 77 consul[illegible] tions in the previous year. T[illegible] Report points out that the periodic exchanges of vie[illegible] are a valuable instrument [illegible] international monetary [illegible] operation.

Five countries—Bahra[illegible] Bangladesh, Qatar, the Unit[illegible] Arab Emirates and Romani[illegible] became Fund members in 19[illegible] 73, bringing total membersh[illegible] to 125 on Aprii 30, 1973. [illegible] July 3, 1973 the Board [illegible] Governors approved [illegible] admission of the Bahamas [illegible] Fund membership.

The Report notes that [illegible] demand for technical assistan[illegible] from member countries [illegible] panded sharply. In the p[illegible] fiscal year, staff membe[illegible] were on assignments of [illegible] months or more in 22 cou[illegible] tries and 110 outside exper[illegible] were on long-term assignme[illegible] in 44 countries under Fu[illegible] technical assistance. Tak[illegible] into account shorter-technic[illegible] assistance missions and [illegible] training of member count[illegible] officials by the IMF Institu[illegible] about two thirds of the Fun[illegible] membership benefited from [illegible] Fund's technical assistance [illegible] training programmes last ye[illegible]

Technical assistance [illegible] mainly provided in the fields [illegible] central banks. The Fund's tra[illegible] ing facilities at the IMF Ins[illegible] tute have been expanded [illegible] March 1973 enabling it to h[illegible] three courses simult[illegible] The IMF Institute in its [illegible] years of operation has [illegible] courses in English, French [illegible] Spanish to over 1,000 [illegible] from 116 countries, inst[illegible] them in the use of [illegible] tools of economic [illegible]

...C on ...vestment ...mate

...VIEWING the international ...tment climate in 1972-73, ...nternational Finance Cor...tion, in its annual report ...e period, notes continuing ...lence in the world's ...cial and exchange mar... during the year, charac...d by strong speculative ...al movements, a further ...r realignment of exchange ..., the intensification of capi...nd other controls in several ...rtant countries, and the ...duction of a regime of ...ple of floating rates for ...world's major currencies. ...en continues :

...evertheless, although these ...lopments contributed to a ... uncertain financial cli...e, and accentuated the ... associated with inter...nal business and invest..., the economic and invest... performance of both ...loped and developing ...tries showed surprising ...gth resilience."

...ccording to the report ...d trade in 1972 grew by ...ly 10 per cent in real ...s, while the total flow of ...rces to developing coun... (not including Euro...ency credits) exceeded ... billion—over seven per ... higher in dollar terms, but ...tly less in real terms, than ...971. This resource trans...ncluded an estimated $ 8.3 ...on in private capital flows. ...e report draws special ...tion to the increasing ex... to which the developing ...tries have been raising ...s in the Euro-currency ...et. Informal estimates ...e borrowing by developing ...tries in the Euro-currency ...ket at around $ 2.5 - $ 3.5 ...on, in 1971 and more than ... as high in 1972, possible ...e order of $ 7-$ 8 billion. ... report then points out that ... increasing dependence of ...developing countries on the Euro-currency market can face both problems and risks.

"The advantages (of the Euro-currency market) have to be viewed against the risks implicit in its institutional practices, and the potential debt management problems that might be created for the developing countries. Euro-credits are attractive to borrowers from the developing countries because of their administrative simplicity, and flexibility, and their 'untied' character, but they also entail a fairly high degree of risk. This arises in the main from their 'floating rate' feature which creates uncertainty in regard to the future cost of credit."

The report goes on to point out IFC's role in this situation.

"Recognizing that the Euro-currency market offers scope for mobilizing additional private capital for the developing countries, IFC has offered the developing countries the opportunity of obtaining financing jointly from IFC and from the Euro-currency market, thereby enabling them to improve the terms and conditions of their overall investment financing. IFC is in a position to make a constructive contribution in several areas.

"First, much of the current Euro-lending is being done on the basis of broad syndication, with the accent of risk-distribution rather than on an analysis of the creditworthiness of the borrower. The thorough appraisal which is an integral part of all IFC investments can be valuable in reducing the risk of potential lenders, and in improving the terms and conditions of the credit for the borrowers. Second, IFC can provide its own financing on terms which make the total financial package more suited to the requirements of the borrowers. IFC can supply financing at fixed interest rates, and for a sufficiently long term so as to meet the genuine needs of each investment.

"Not least, IFC, as an international institution with both developed and developing countries as its shareholders, is uniquely able to promote confidence between foreign and local investors and between those investors and the governments of countries in which investments are made."

In the year under review, the IFC made 28 investments in 18 countries for a total of $ 146.7 million. the highest annual figure since this institution was established in 1956.

Total investments by the corporation, which is an affiliate of the World Bank, exceeded the previous year's figure—itself a record—by $ 31 million. The total cost of the 28 IFC-assisted projects was $ 480.7 million.

Five of IFC's investments, totalling $ 34.6 million, were in Asia. These commitments included $ 33.3 million in loans and $ 1.3 million in equity and helped finance projects costing an estimated $ 58 million. This compares with the previous fiscal year when IFC committed $ 19.5 million in loans and $ 1.6 milllon in equity for three projects costing an estimated $ 265.7 million in two Asian countries. The last figure was due to one exceptionally large project in the Philippines.

IFC-assisted projects this fiscal year included establishing, together witn the International Development Association (another affiliate of the World Bank) and other investors, a new development finance company in Afghanistan; supplemental assistance for an Indonesian cement producer which IFC helped establish two years earlier; completing an international first class hotel in Jakarta; raising resources abroad for a Philippine development finance company by organizing a long-term loan on its behalf; and establishing a plant in the Philippines to produce furfural—a chemical used in oil refining and other industrial processes — using sugarcane bagasse as the primary raw material.

During the year IFC for the first time invested in Afghanistan, Bolivia and Cyprus. Other countries in which investments were made were Brazil, Colombia, Mexico and Venezuela, in Latin America; Turkey and Yugoslavia, in Europe; Iran, in the Middle East; and Ethiopia, Kenya, Nigeria, Tunisia and Zambia in Africa. The projects supported included mining, cement, tourism, pulp and paper, motor vehicles, steel, chemicals and textiles.

Thirteen of the projects supported by IFC during the year, with a total of $ 80.2 million, were for the expansion and modernization of existing concerns, while another 13 projects, which received a total of $ 64.1 million, were for the establishment of new enterprises.

Five of these new enterprises were concerned in the introduction of new industries in four countries. One is the new plant in the Philippines to produce furfural. In Nigeria, cottonseed oil will be produced from seeds previously exported for crushing to Europe, and other project will make aluminium profiles for the local construction, industry. In Zambia a tannery will produce leather for a footwear factory supported by IFC last year, replacing imports and utilizing raw hides hitherto exported or wasted. In Iran the new industry to be introduced is production of carbon black for the domestic rubber and tyre industries.

Local and foreign investors in enterprises assisted by IFC in fiscal 1973 included 19 business firms and 28 financial institutions. Of these, 15 from industrialized countries committed $ 133.1 million and 32 firms and institutions from developing countries put up $ 141.5 million. IFC's investments and $ 59.4 million in cash generation accounted for the balance of project costs.

Sales by IFC of its own investments by way of participations and from its portfolio in fiscal 1973 amounted to $ 65 million, also a record figure.

IFC's operations in fiscal 1973 brought the cumulative gross total of the Corporation's investments to $ 848.1 million in 203 enterprises in 51 developing countries, in which others had concurrently invested approximately $ 3,372 million.

The cumulative total repre-

sents the gross amount invested by IFC in the 17 years since 1956. Of this, $ 576 3 million, or about 70 per cent, has been committed in the last five years.

Some $ 334 million (39 per cent) of IFC's investments [illegible] been made in Latin America and the Caribbean, $ 232.2 million (27 per cent) in Asia, $ 145 million (17 per cent) in Africa and the Middle East, and $ 135.9 million (16 per cent) in Europe.

World Bank Group hits the target

THE WORLD Bank Group approved development assistance totaling $3,555 million during the year ended June 30, 1973. This is stated in the latest Annual Report by the Executive Directors of the World Bank and the International Development Association (IDA). The year's record was achieved by:

The World Bank, which made 73 loans to 42 developing countries for a total of $2,051 million. IDA, with 80 credits to 43 countries amounting to $1,357 million; in addition it approved 11 reactivated credits to Bangladesh. The International Finance Corporation (IFC), with 28 investments in 18 countries totaling $146.7 million. IFC has issued a separate Annual Report.

The Group's total lending was higher than in any previous year. It marked fulfilment of the goal announced five years ago by the President, Mr. Robert S. McNamara.

Specifically, the targets were:

. To double the global total of Bank and IDA lending. The total has increased 128 per cent.

. To triple lending to Africa. It has risen 214 per cent.

. To double lending to Latin America. It has grown 128 per cent.

. To quadruple lending for agriculture. It has increased 317 per cent.

. To triple lending for education. It has expanded 362 per cent.

Comparing the two five year periods, lending to developing countries in Asia has increased 123 per cent. The comparable increase for developing countries in the Middle East is 350 per cent.

Despite the growth in their operations, the Bank and IDA play a marginal, though vital role, in the global development effort. The report points out that by far the largest proportion of the resources devoted to development are mobilized by the developing countries themselves.

The years' recort was highlighted by a sharp increase in IDA lending—to a level almost 36 per cent higher than in fiscal 1972. IDA's long-term credits are interest free, with only a small service charge made to cover administrative expenses.

The agreement on the third replenishment of IDA's resources became effective following confirmation in Septemper 1972 of the United States' contribution to the replenishment. It is expected that the Association's resources will be fully committed by June 30, 1974. Discussions were begun in December 1972 on a fourth replenishment, and are continuing.

During the year, the Executive Directors made a comprensive review of IDA's lending policies. They concluded that while IDA's basic lending policies should be maintained, the greater emphasis which had been given to the very poor countries, including the "least developed," should be continued. Further, the Bank Group, and IDA in particular, should go on giving increasing emphasis in lending to those sectors which were of direct relevance to the bulk of the population.

The expansion in Bank and IDA activities was accompanied by continued efforts to assure a more effective contribution by the Group to the economic and socical betterment of its developing member countries. Greater attention was given to the need to improve the quality of life by spreading the benefits of development more widely.

The report indicates the ways in which the Bank and IDA have sought to shift the emphasis of their activities in order to assist more fully the social and economic progress of developing countries. It says that the shift has been sometimes subtle, sometimes striking; but it has always been accompained by the clear realization that the problems of development are too complex for definitve solutions. The Bank and IDA do not, therefore, claim that such solutions have been found. In the report, they seek primarily to highlight the directions in which their search for solutions is proceeding.

The increase in operations in the poorest and "least developed" countries has been made possible in large part by the growth of IDA resources. There has been a shift also in Bank loans to the middle income countries and to the poorer ones among them.

No less important than the increases in the volume of assistance, according to the Report, have been the qualitative changes in Bank and IDA activities.

Greater attention has, therefore, been given to the social aspects of economic growth, including population, employment, income distribution, health malnutrition and the impact on the environment.

The report says that the more comprehensive view has led to a marked diversification of activities. The diversification is seen in the support given to projects in new sectors.

Greater attention has been given to types of projects that can help spread benefits of development more [illegible] pecially among the po[illegible] tions of society. Deve[illegible] the report says, can [illegible] meaning unless it brings a [illegible] ter, fuller and more pr[illegible] life to the mass of [illegible] previleged in poor countri[illegible]

An outstanding fea[illegible] the year's operations [illegible] for the first time in the [illegible] of the Bank and IDA, [illegible] volume of lending for [illegible] culture exceeded that fo[illegible] other sector. At $ 938 mil[illegible] was more than twice as [illegible] in fiscal 1972—and ab[illegible] per cent higher than the [illegible] ing for transportation, w[illegible] had previously been the h[illegible] single recipient of Bank G[illegible] Funds. Lending for educati[illegible] rose sharply, to a record le[illegible] about 50 per cent above [illegible] figure for the previous ye[illegible] There was a substanti[illegible] crease in the assistance g[illegible] for telecommunic ations a[illegible] water supply pro ject.

The increase in Bank a[illegible] IDA assistance for agricultu[illegible] happened to take place duri[illegible] a period when the pr[illegible] needs of developing countri[illegible] were underlined by a drama[illegible] deterioration in the gl[illegible] food situation, largely due [illegible] an unprecedented combinati[illegible] of adverse weather condit[illegible] In western Africa, where m[illegible] lions suffered from a seve[illegible] drought, the Bank explor[illegible] the scope for supplementi[illegible] with development schemes t[illegible] relief operations organiz[illegible] under the aegis of the Fo[illegible] and Agriculture Organizati[illegible] of the United Nations (FAO[illegible]

The Bank's operations we[illegible] supported by a near rec[illegible] level of gross borrowi[illegible] which totaled $1,723 mi[illegible] during the year. The [illegible] largest source of funds [illegible] Japan which provided 35 [illegible] cent of the total. The [illegible] largest was Germany, w[illegible] per cent. The Bank co[illegible] its search for new sou[illegible] capital for development, a[illegible] made its first bond issu[illegible] LL 75 million in Leb[illegible] The Bank's net income [illegible] 1973 was $186 million, [illegible] million more than in the [illegible] vious year.

Money figures are expressed in US dollar equivalents

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WHO'S TO BLAME?

FAITH
PEOPLE
FUTURE
GROWTH
NVESTMENT
EVELOPMENT
PROGRESS
OMMUNITY
PLANNING
VELFARE

What's in a name ?

THE NEW line taken by the Congress party with regard to food policy, particularly the strategy for the procurement of rice during this *kharif* season, marks a welcome return on the part of Mrs Gandhi and advisers to the path of responsibility. We do not grudge them their attempt ave face. If the giving up of the dogmatic insistence on the taking over by government of the wholesale trade is to be known as an act, to quote Mrs dhi, of "adjusting" the phasing of new initiatives in the light of changing circums-s, the people of this country have more important things to worry about than the t thus offered to their intelligence. What would matter to them really is that the trous experiment in doing without the wholesale trade channels in the procurement stribution of foodgrains is not to be persisted in at least for the time being. More the politicians the public is interested in the maximizing of procurement of food lies through reasonably efficient agencies and in ensuring their orderly distribution cularly in the interest of the low-income groups. It is clear enough that the prime ster's party has now recognised that the food crisis would continue if the doctri- approach to procurement is not given up.

The new formula allows the state governments to relate their tactics of procure-t and distribution to the circumstances in their respective territories. While the -over of the wholesale trade has not been ruled out and it has been stated that those governments which may be keen on treating themselves to this particular bit of and games could do so, it is unlikely that even Assam's chief minister would, in the t, go ahead with this misadventure. As for Tamil Nadu, which is a fairly impor- rice-growing area, there was never much chance that the DMK ministry would any directive from the centre compelling it to take over the wholesale trade in The Karunanidhi ministry, having become sufficiently unpopular even otherwise, d have been in no hurry to take chances with the people's food.

Broadly speaking, the state governments have learnt enough from the collapse of wheat trade take-over to be able to appreciate the wisdom of a flexible procurement y employing an intelligent combination of levies from farmers, millers and perhaps wholesale trade. While the garnering of sufficient supplies for the provisioning of a y extensive network of fair price shops is not only desirable but necessary for re-ng individual and family distress, or improving the prospects of stability for the na-al economy, it is clear that this should be done without weakening the incentives for eased production. This means that the producers should not be required to labour er the shadow of a state-trading monopoly but given some assurance that they would y reasonable freedom for improving their earnings in line with the prices of goods services which they have to buy as well as with their own costs of production.

In its annual report published last week the board of directors of the Reserve Bank India has emphasized the fact that the procurement of rice in quantities sufficient to tain the demands of the public distribution system would be a key factor in ensuring nomic stability to the country. It was also suggested that a levy system would bably be the best means to this end. Economic counselling from such quarters is arly more authentic and valid than resolutions or directives worked up on political tforms. It is good for the country that the prime minister has at last condescended listen to voices of reason in her council of ministers. We hope that this will encourage few ministers of substance in Mrs Gandhi's cabinet to continue to advise and guide in an objective and responsible manner. Nothing can do more harm to this country n such men as these succumbing to a feeling of fatalism that nothing good could ppen in this government unless Mrs Gandhi, on her own, would will it so. The plain t is that the prime minister does not always have the right instinct about economic licy. It is even more plain that she needs to know far more than she does to be able arrive at sound judgments on economic options, especially when short-term political nsiderations tend to confuse issues.

The Reserve Bank's annual report has squarely laid the blame for the inflationary uation on the budgetary policies which have been continually generating excesses of mand. The bills for the unproductive or wasteful public expenditure, which was be-g incurred over the years in the context of a deceleration of the rates of saving and in-stment as well as the growth of production, particularly industrial, are now coming . This at least must have sobered the prime minister enough to dispose her to seek consider good advice. It is therefore more than ever the responsibility of the level-eaded men in the cabinet to tell her the facts as they see them and persuade her to re-eem some part at least of her clamant election pledge to give battle to the poverty in the ountry. Far too many of her colleagues have been saying far too often that no major ethinking on policy is possible. This is not merely a mood of resignation, for it reeks

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of demoralization. The latest developments in food policy have shown that objective circumstances can enforce a revision of even those decisions advertised all along as 'basic'. Let these revisions be called 'adjustments' by all means if this is the label under which the prime minister wants to sell them to her party. But let such revisions take place as fast and as frequently as they ought to. The nation has need of them.

Tax incentives for industries

Of the several changes proposed to be made in the Income Tax Act, the Wealth Tax Act, the Gift Tax Act and the Companies (Profits) Surtax Act, by the Direct Taxes (Amendment) Bill, which was introduced in the Lok Sabha towards the close of the monsoon session—on September 3, —the most important obviously is the provision to be inserted in the Income Tax Act for an initial depreciation allowance of 20 per cent for machinery and plant to be installed after May 31, 1974, for power generation and distribution, for construction and for the manufacture of a selected number of items. The selected items belong to the core sector of our economy. They include iron and steel, non-ferrous metals, ferro alloys and special steel castings and forgings, thermal and hydel power generation equipment, transformers and switchgear, electric motors, industrial and agricultural machinery, earth moving machinery, machine tools, nitrogenous and phosphatic fertilizers, soda ash, caustic soda, commercial vehicles, ships, aircraft, tyres and tubes, paper, pulp and newsprint, sugar, vegetable oils, cotton and jute textiles and cement. The allowance is also to be provided to new industrial undertakings and hotels to be set up in backward areas, which have been specified in the bill, and acquisition of ships and aircraft from abroad.

Though the bill does not specifically say so, the above amendment to the Income Tax Act seeks to replace the development rebate scheme which, in terms of an announcement already made by the union Finance minister, Mr Y. B. Chavan, is to be terminated on May 31, 1974. How poor a substitute the 20 per cent initial depreciation allowance provision would be for development rebate should be evident from the deliberations of the all-India conference of tax executives, which was organised here a few days ago by the Federation of Indian Chambers of Commerce and Industry. The tax executives assembled at this conference pleaded with the government that the development rebate scheme should be extended for at least another two years. A perusal of the new capital issues, which are being floated in the market currrently, also leads to the same inference as arrived at by tax executives. The promoters of all these issues take pride in specifically mentioning in their announcements about the issues that they would commission their projects before the expiry of the development rebate scheme.

There are two basic facts which make the initial depreciation allowance provision much less attractive than development rebate. The first is that whereas development rebate was available to all industrial undertakings at varying rates irrespective of their sites of operation, the initial depreciation allowance provision would be applicable at a flat rate of 20 per cent to a selected 22 core industries and to other undertakings if they are set up only in backward areas. In the case of the above 22 core industries and several others belonging to the priority sector the rate of development rebate was much higher. Thus, not only has the concession been reduced in quantum but also several industries in the priority sector have been deprived of it. These include coal and various ores, pesticides, electronic equipment, petrochemicals, automobile ancillaries, some engineering products, tea, processed seeds, processed concentrates for cattle and poultry feed, processed fish and fish products.

The second difference between the two concessions is that whereas development rebate was provided over and above the normal depreciation allowed for the plant and machinery assets of a company, the initial depreciation allowance will only accelerate depreciation. The Finance minister has done well, no doubt in allowing normal depreciation of assets of an undertaking in a year when initial depreciation allowance is also to be provided. The total depreciation over the life of a plant or machinery, however, is not to exceed the original cost of equipment. The net result of the replacement of development rebate by initial depreciation allowance for the 22 core industries if they are not set up in backward areas listed in the Direct Taxes (Amendment) Bill, will be to revert to the position of 1955 when the development rebate scheme was introduced.

The main reason for reducing the tax incentive for setting up new industrial units through the replacement of development rebate by 20 per cent initial depreciation allowance is stated to be that as the industrial base of our economy has expanded a great deal during the past 25 years, a selective approach to m[illegible] granting incentives in the future [illegible] is no denying the fact that we have [illegible] fairly rapid strides on the road to [illegible]rialisation. But it is equally true [illegible] pite all the progress made so far, [illegible]tion has not grown in line with the [illegible]rease in demand. The result is that [illegible] spread shortages persist all round, [illegible] just a few industrial products su[illegible] radio sets. The whittling down [illegible] incentives for new industrial underta[illegible] thus, can be expected to have a ve[illegible] verse effect on industrial growth. [illegible] the government would not like to go [illegible] on its decision to abolish the dev[illegible] ment rebate scheme, it will have [illegible] plore ways and means to make the [illegible] depreciation provision more attr[illegible] than it is at present. One way of [illegible] that is the grant of initial depre[illegible] allowance in addition to the 100 per [illegible] depreciation on the original cost of p[illegible] and machinery. This is not unwarr[illegible] in view of the inflationary tendencie[illegible] world over.

Much is being made of the p[illegible] posed application of the initial 20 p[illegible] cent depreciation allowance provision [illegible] the setting up of industries in backwa[illegible] areas. In some cases, where developme[illegible] rebate was only restricted to 15 per ce[illegible] of the cost of equipment and machine[illegible] installed after a particular date, the init[illegible] depreciation allowance scheme for units [illegible] backward areas should indeed be helpf[illegible] because the quantum of concession h[illegible] been raised. But it has to be recognise[illegible] that the industrialisation of backwa[illegible] areas cannot be fostered merely by pro[illegible] viding fiscal incentives. Already quite [illegible] number of concessions are being ma[illegible] available to industries in backward area[illegible] These include a subsidy on the cost [illegible] plant and equipment by the centr[illegible] government upto a specified ceiling [illegible] concessions in electricity tariffs and oth[illegible] local taxes. But what has stood in th[illegible] way of industrialists being attracted [illegible] backward areas is the lack of infrastru[illegible] ture facilities there. Until and unle[illegible] state governments take energetic [illegible] in this regard, the industrialisation [illegible] backward regions cannot be facilitated.

As the deliberations of the tax exe[illegible] tives' conference have highlighted, there [illegible] need to rationalise the corporation [illegible] structure so that the more efficient [illegible] are not penalised. This warrants that [illegible] corporate tax rates should be reduced [illegible] a flat rate of 50 per cent of profits. [illegible] provision being made in the Income T[illegible] Act for allowing the salaries of pers[illegible] nel engaged in scientific research [illegible] to business carried on by a tax-payer [illegible] related to industrial inputs, as a [illegible] deduction, of course, is welcome. S[illegible]

weighted tax deductions for sums t on sponsored research and for ex- market development. These provi- s should encourage research and deve- nent efforts.

wo other pleas of tax executives deserve notice. The first n echo of the Bhoothalingam com- e's suggestion for an expeditious y of the value added tax system as a titute for direct and indirect taxes. experience of Britain, where, this riment is being tried, needs to be hed closely. The second plea is for the troduction of the tax credit certifica- ystem which, excepting the scheme in regard to shifting of industrial undertakings from urban to specified areas, operated for a brief period in the second half of the sixties. The tax credit certificates system aimed at encouraging exports, investment in equity shares of new industrial companies, production of specified goods and shifting of underkings from congested urban areas.

Fiscal concessions, it needs to be stressed, are no substitute for liberal policies in respect of manufacturing and trading activities. Stringent controls have done more harm to the economy than good. It is time that liberalism was introduced in government policies.

›wer demands boldness

PLANNING exercise has never been d so difficult as it is now when fina- g the outlays in different sectors for next Plan period, 1974-79. The re- sharp rise in the general level of s and an alarming increase in non- expenditure have resulted in a ficant reduction in the availability nancial resources for Plan purposes. central government is therefore in andary about what exactly should be size of the fifth Plan and how the cations should be effected on a secto- basis. There is a paucity of financial physical resources for implementing ects in some sectors, which is not rising to those who are familiar with nt development. But there is also strange phenomenon of the availabi- of physical resources, for instance erms of heavy electrical equipment ifferent types fully from indigenous rces, according to those in the manage- t of the heavy electrical units. Yet union ministry of Power and Irri- on is undecided about what should he target for generating capacity for -79.

At first, it was suggested that there uld be at least a doubling of gene- ng capacity to 41 million KW. This re was suggested on the assumption t there was already an existing gap five million KW and an annual growth of even 15 per cent should be taken consideration. Subsequently the nning Commission remonstrated that objective would be utopian as it unthinkable that an increase of 4-5 lion KW of capacity on an average ld be achieved annually not to speak the bottlenecks arising out of financial ources.

In later discussions a lower target of 38 million KW was mooted which was further pruned to 35 million KW as it was becoming clear that no useful purpose would be served by framing unrealistic estimates and basing the implementation of projects in the hope that large quantities of hydel and thermal equipment could be imported. The latest thinking would seem to indicate that the target may not be more than 33 million KW though it could well be the earlier figure of 35 million KW, if the claims made by the chairman of Bharat Heavy Electricals Ltd, Mr V. Krishnamurthy, turn out to be correct. There is reason to believe that a major breakthrough has taken place in the Heavy Electrical units in the public sector in all the four centres and it will be possible to manufacture and supply over 15 million KW of equipment during 1974-79 if the existing facilities are utilised in an optimum manner and strategic investment is undertaken for installing balancing equipment wherever necessary.

It is needless to say that there shou'd be bold planning for power generation and distribution whatever may be the constraints relating to financial resources. The experience of the past few months has clearly shown that power shortage can have a crippling effect on agricultural and industrial production which will pull down the rate of economic growth. Also continuing bottlenecks in regard to the availability of power can impose severe strain on the balance of payments position as there will be a big increase in the consumption of petroleum products for running captive generators.

On the basis of the data provided by the chairman of BHEL the target for generating capacity for the fifth Plan can be easily 35 million KW if not 38 million KW as the studies made by experts indicate that supplies from indigenous sources can be 15,150 MW against the claim of 16,500 MW made by BHEL. As large quantities of imported generating sets and allied equipment are lying idle at Idikki in Kerala, Upper Sileru in Andhra Pradesh and in various other centres and a capacity of over 20 million KW will be established by March next year it would be advisable to proceed on the basis that an average annual addition of 3500 MW of capacity can be established in the coming years. What is really heartening is the big leap made in 1972-73 by both BHEL and HEIL as the deliveries of hydel and thermal sets accounted for 1100 MW against a total of 1200 MW in the previous five years!

It is confidently expected that there will be a doubling of production to 2000 MW in 1973-74 and the peak level of 3000-3500 MW will be reached in 1975! This is indeed an encouraging picture especially as it has been claimed that the cost of indigenous equipment is lower than import parity in some cases for similar equipment supplied by manufacturers. An undertaking has also been given that the central and state projects will not suffer any disability on account of either cost or quality as it has been assured that all future supplies will be made at landed cost for similar imported equipment and deliveries will be completed within 24 to 36 months from the placement of order.

The chairman of BHEL will be committing himself seriously as production programmes are being planned on the basis of tight schedules. But it is anticipated that there will be a big increase in output in the coming years at the Bhopal and Hardwar units and that the latter will also be functioning on a break-even basis in 1973-74. The accumulated losses are expected to be wiped out by the merged units in the next three years and there will be adequate generation of resources for implementing expansion schemes.

The arrangements for securing components and parts are being completed on a more assured basis as several units in the public and private sectors are in a position to fabricate the required items according to specifications. What is more important is the scope available for reducing costs or at least preventing them from rising as it has been found that ind genous production is cheaper as compared to purchase of components from foreign sources. It has also been estimated that the dependence on imported components is only for about five per cent of total needs though with the shortage of raw materials and the compulsion to import non-ferrous metals the aggregate foreign exchange content is 25 per cent of total cost. There is also a proposal for establishing a large foundry and forge shop at Hardwar at a

cost of Rs 20 crores to produce many items from internal sources.

The Planning Commission however is unable to make up its mind about how it should proceed with the finalisation of power projects. Nearly every state is in need of a big increase in generating capacity. A good portion of available resources has been earmarked for hydel and thermal projects but a new approach is proposed to be adopted for bringing about optimum utilisation of financial and physical resources. This kind of thinking is welcome. On that score however there should not be delays in giving clearance to new projects nor should there be overlooking of allied problems relating to the supply of coal for thermal stations. In spite of the fact that Tamil Nadu has need for creating large thermal capacity and it has been agreed that the Tuticorin thermal project should be accorded the highest priority, it is reported that there is some hesitation on the part of the coal authority to give its concurrence as it is not sure about the availablity of the required coal supplies.

As Mr T. A. Pai, the union minister for Heavy Engineering, has pointed out there will be a phenomenal increase in the consumption of coal for power generation to 58 million tonnes from 19 million tonnes in the fifth Plan period. This will mean that 39 million tonnes of coal will be needed additionally for power generation alone out of the quantity of 68 million tonnes proposed to be raised additionally by 1978-79. If there is a let up in the programme of development of coal mines in the growth of raisings, all other plans will go awry. It will therefore be necessary to allocate the required resources for modernising coal mines and boosting coal production. At the same time suitable machinery should be created for advising the state electricity boards to implement thermal projects particularly and also for paying greater attention to the proper maintenance of costly equipment. The failure to assess correctly the problems of lignite mining and the importance of using in an optimum manner the capacity of the thermal station at Neyveli and the poor performance of Ennore thermal station of the Tamil Nadu Electricity Board clearly emphasise the need for a coordinated approach to outstanding problems. Unless there is proper thinking in regard to the conundrums relating to power planning and it is decided that the annual average additions to capacity should not be less than 3.5 million KW, the fifth Plan will be proceeding on weak foundations right from the beginning.

Outlook for jobs

Mr Mohan Dharia, the union minister of state for Planning, told the Rajya Sabha on August 23 that the crash programme costing Rs 100 crores for creating employment in the country would not be slashed under the government's decision to effect economies totalling Rs 400 crores. The minister stated that any savings under the employment programme would be due to the delay in launching it and not because of slashing the project. He assured the Rajya Sabha that the government would keep its commitment that all engineers and highly qualified technicians would be provided with employment under the half-a-million jobs scheme. But the manner in which the government has been implementing this programme seems to show a lack of proper planning and a sense of seriousness in tackling one of the most difficult problems confronting the country at present, viz., unemployment.

The half-a-million jobs scheme is supposed to have come into existence with effect from the beginning of the current financial year but it is only about six months later that, actually, the state governments started implementing it. The delay was due to the fact that the state governments did not have any clear idea of the extent of financial assistance that they could expect from the central government under this scheme. It was only after Mr Mohan Dharia visited the various states in April/May and held discussions with their governments as well as the representatives of chambers of commerce and banks that the scheme could make a start. Even so, it has not been possible to make any major impact because few state governments were ready with suitable schemes which could be taken up by the unemployed people. It was also not easy for these governments to observe the guidelines prepared by the Pl… Commission for becoming eligib… getting the central government'… tance under this scheme. For exa… guidelines, which were revised o… 20 provide that the employment … mmes should be dovetailed with the … ting development programmes, … those to be taken up in the fifth … The schemes should not need re… assistance but should enable the … to be absorbed "in the normal st… the economy".

An important feature of the sche… the provision of subsidised emplo… Under this programme industri… will be allowed to appoint engineer… degree holders, diploma holders, … graduates in science, architects, a… tural graduates, veterinary gradua… qualified commercial artists and oth… on salaries for which the ceilings ha… been laid down by the government. … central government has agreed to … 50 per cent of the subsidy, and the bala… has to be met by the employer hims… The table below shows the ca… gories of persons who can be emplo… under this scheme and the subsidy t… will be available from the government.

Originally, the government had a… nounced that this scheme would app… only for those units which had a capi… investment of up to Rs 50 lakhs. This … rangement suited states like Punjab whe… most enterprises belong to the small … medium category. But in a state li… West Bengal, where there are many larg… scale enterprises, the scheme did n… create much interest among employer… They sought clarification from the gover… ment as to whether they would also … eligible for subsidy under this schem… even though their capital investment e… ceeded Rs 50 lakhs. The government h… now clarified that they too will be eligib… for this benefit. Had the government tho… ght over this matter earlier, the schem… could have made faster progress durin… the last few months. Even now ma… uncertainties remain. For instance, empl…

Categories of Jobs Entitled to Subsidy

Category	Ceiling salary Rs	Centra… subsid… R…
1. Engineering degree holder	400	[illegible]
2. Engineering diploma holder	250	[illegible]
3. Post-Graduate in Science	250	[illegible]
4. Architect	400	[illegible]
5. Agricultural graduate	300	[illegible]
6. Veterinary graduate	300	[illegible]
7. Qualified commercial artist	250	[illegible]
8. Graduate of scheduled castes/tribes	200	[illegible]
9. Matriculates of scavenger community/scheduled castes and scheduled tribes	150	[illegible]
10. ITI certificate holder	150	[illegible]

are still not sure to what extent the .isions of the Employees' State Insu-:e Act, the Bonus Act, the Industrial putes Act and similar labour laws apply to those who are given jobs er the scheme of subsidised employ-t.

here are also other features of the me which are likely to hamper its ementation. The Planning Commis- has laid down that any funds tioned next year for a similar pro-nme will not be available for the same on or set of persons. This decision not appear to be sound. Since the me itself could get a start only by ut May or June this year, it would n that those who are employed under uld hold their jobs only till the end next March. Why cannot the govern-t declare now that the scheme will be rative at least for one year from the on which the candidate joins the loyer?

he Planning Commission has also gested that the educated unemployed ons from a family having no source ncome should get priority over others mplementing this scheme. This stipu-on seems quite unnecessary and un-kable also. The family has not been ned in this context nor is it clear the employer is to satisfy himself this condition is observed strictly le taking people under the subsidised eme.

The main half-a-million jobs progra-ne has laid considerable stress on self-ployment. The Planning Commission said as follows: "The scheme should erate more and more employment and e a multiplier effect. They should be ductive and labour intensive. Institu-nal finance should be utilised to the est extent possible. Government funds ld be available only for seed capital, rgin money and training expenses. e approach should be to secure maxi-m employment and investment with nimum government support".

The emphasis on self-employment is lcome but are effective steps being en to give a fillip to this programme? that many state governments have ne is to draw illustrative lists of busi-ss enterprises which can be started in th urban and rural areas. For ex-ple, the West Bengal government has licated that in the urban areas indus-es like the following can be started by self-employed people: automobile vice stations with repair workshops; ray painting; repair machine tools; ying of taxis or goods carriers; book nding; books and magazine stalls; and on. For the rural areas the industries suggested include seed processing; repair of pump sets and machine servicing. But unless the state governments, organisations of employers and banks and the other public sector financial institutions effectively coordinate their programmes, it will not be possible to implement this scheme successfully.

A major handicap in promoting self-employment is the lack of money on the part of those who want to set up their own business. It is the government's intention that those who seek self-employment should themselves be able to provide at least 10 per cent of the total capital as margin money|seed money|stake money. But not many of the prospective entrepreneurs are able to find this money and even those who have it seem to have difficulty in knowing how and whom to approach with their schemes for assistance. The banks are sometimes accused of being unhelpful in encouraging people to seek self-employment. But, on behalf of the banks, it is stated that they are handicapped when unemployed persons approach them with schemes which are not properly drawn up and cannot become viable. In some states like West Bengal, coordination committees have been set up by the government consisting of the representatives of the government departments, chambers of commerce, the nationalised banks, and the other financial institutions. But these committees do not meet regularly nor do they have any machinery to ensure that their decisions are speedily implemented.

The drive for economy, the constant emphasis on austerity, the lack of some reasonable stability in industrial policy, and the scarcity of many essential raw materials—all these are unlikely to help to create large opportunities for wage-employment or self-employment in the immediate future. New Delhi does not seem fully aware of the adverse impact of its policies on the prospects for employment.

Maharashtra: accent on agriculture

THE PLANNING Commission has tentatively proposed an outlay of Rs 1,955 crores for Maharashtra's fifth Plan. But the state government, in its draft outline of the Plan presented to the assembly the other day, has estimated the required outlay at a much higher figure—Rs 2,621 crores. The justification offered for this bigger Plan size is that the state's agriculture is in bad shape and, therefore, calls for priority development with the accent on irrigation. The government's stand is unexceptionable, and the facts can speak for themselves.

The overwhelming fact is that Maharashtra, while advancing spectacularly in the secondary sector of industry all the time, has remained incredibly stagnant in the primary sector of agriculture for the last 16 years. Sectorwise, the contribution of agriculture (including animal husbandry, forestry and fisheries) to state income—that is, net domestic product at constant 1960-61 prices—has only marginally increased from Rs 506 crores in 1955-56 to Rs 519 crores in 1971-72. The share of industry (including mining, construction and electricity), on the other hand, has more than doubled over the same period, as will be seen from the table below.

The annual growth rate in agriculture has worked out to a meagre 0.4 per cent for the period 1960-61 to 1971-72, as against 7.0 per cent in industry for the same period. It is all too evident that the factor of complementarity between agriculture and industry has not been in operation in Maharashtra. Planning has not brought about balanced development of the two sectors up till now, and it is to correct this distortion in due course that the state's planners have laid down a higher target growth rate for agriculture (12.8 per cent) than that for industry (6.0 per cent) for the 1974-79 period. The

State Income of Maharashtra

(At 1960-61 prices)

	1955-56	1971-72
Agriculture, animal husbandry, etc, (Rs crores)	506 (41.6)	519 (24.4)
Industry, mining, etc. (Rs crores)	308 (25.3)	758 (35.7)
Transport, trade, etc. (Rs crores)	208 (17.1)	438 (20.6)
Banking, insurance and other services (Rs crores)	194 (16.0)	409 (19.3)
Total (Net domestic product) (Rs crores)	1216 (100.0)	2124 (100.0)
Per capita income (Rs)	346	416

(Figures within brackets are percentages of the respective totals)

sectorwise growth rates targeted for the fifth Plan, as compared to the actuals of the 1960-72 period, are as under:

Sectorwise Growth Rates during Fifth Plan

(per cent)

	1960-72	1974-79
Agriculture, animal husbandry, etc.	0.4	12.8
Industry, mining, etc.	7.0	6.0
Transport, trade, etc.	5.3	4.6
Banking, insurance and other services	7.0	6.0
Net state domestic product	3.0	6.8

The fifth Plan formulated by the Maharashtra government is thus pronouncedly agriculture-oriented, perhaps more so than for the country as a whole. This is as it should be, considering that agricultural productivity (except in the case of sugarcane) is much lower in Maharashtra than for all India. The triennial (1968-71) average yield of foodgrains, for instance, is no more than 494 kgs per hectare, as against the all-India average of 819 kgs per hectare. No other state in India has an average foodgrains yield lower than that of Maharashtra. Even the yield of cotton (lint) in the state is only 66 kgs per hectare against 117 kgs per hectare in the country as a whole. Consequently, although 13 per cent of the net area sown in the country lies in Maharashtra, the state's contribution to the income generated by agriculture and allied activities is only about seven per cent of the relevant, all-India total. The shortcomings of the low-gear economy of rural Maharashtra have been forcefully brought to surface during the last three years of continuous drought which has necessitated a massive programme of rural public works to provide employment to about four million persons per day.

It is against this background that the state's planners have proposed a much larger outlay for agriculture and irrigation under the fifth Plan than the anticipated expenditure on them under the fourth Plan. The proposed fifth Plan outlays, as compared to anticipated expenditures during the fourth Plan, under important heads/sub-heads of development are presented in the table alongside.

The totals in the above table are not all, for they do not include the outlays under central Plan and centrally-sponsored schemes and Railway plan schemes in Maharashtra, besides the complementary outlays by financing institutions. It is assumed that the fifth Plan outlay on central Plan and centrally-sponsored schemes in the state may come to Rs 285 crores, as against the fourth Plan outlay of Rs 142 crores. As many as 25 new Railway schemes have been canvassed for Maharashtra, but no estimate of the required expenditure on them is available. As for complementary outlays by financing institutions, the expectation is that such outlays would come to Rs 300 crores during the fifth Plan period, as against Rs 98 crores during the fourth Plan period. In sum, the grand total of fifth Plan outlays envisaged for the state is of the order of Rs 3,204 crores (excluding outlays on Railway schemes). This is more than 2½ times the corresponding grand total of anticipated fourth Plan outlays to the tune of Rs 1,219 crores.

Even assuming that the outlays under centrally-sponsored and Railway schemes might materialise fully, Maharashtra would still not be in a position to finance its fifth Plan of the size of Rs 2,621 crores from its own resources. The state's planners have estimated its own resources for the Plan would aggregate only to Rs 1,417 crores. It is expected that the balance —Rs 1,204 crores —would be met mostly by central assistance and, to some extent, by higher market borrowing. The state government, however, has warned that the gap would widen to the extent of certain items of expenditure not taken into account in the estimates. One such item is the additional burden of Rs 75 crores in the fifth Plan period by way of dearness allowance recently sanctioned to state government employees. Another is compensation to be provided to local bodies for the loss of revenue from octroi which the state government has decided to abolish. As the annual loss of revenue on this account would be Rs 42 crores, the total compensation to be given to local bodies over the five-year period of the Plan would come to Rs 210 crores. Besides, no provision has been made for payment of interest on central loans and for repayment of loans to be received from the centre during the fifth Plan period.

Proposed Fifth Plan Outlays

(Rs crores)

Head/sub-head	Anticipated expenditure (IV Plan)	Proposed outlays (V Plan)
Agriculture, animal husbandry, fisheries etc.	107	140
Minor irrigation	80	167
Major & medium irrigation	159	500
Cooperation & community development	43	50
Power	258	592
Large & medium industries	25	92
Mineral development	2	5
Village & small industries	11	32
Roads	52	165
Road transport	21	90
Ports & harbours	3	11
Other transport & tourism	3	6
General education	66	135
Technical education	4	14
Health & nutrition	8	73
Water supply	104	195
Housing & urban development	18	183
Welfare of backward classes, labour, etc.	8	30
Statistics, publicity & others	8	139
Total:	979	2621

Note: Figures do not add up to exact totals because of rounding-off.

It may be that the gap, so widened, would be narrowed by the pattern of central assistance and sharing of central taxes to be recommended by the sixth Finance Commission. Even so, the gap would still be large enough to cause anxiety to both the centre and the states. There are many other states which have special needs and problems calling for priority attention. As they, too, are bound to confront the centre with big gaps in resources, the latter which is supposed to be Everybody's Mother Bountiful may have a harder time of it than in the past.

ax Research Institute

Paresnath Chattopadhyay

IRECT Taxes Enquiry Com-
has laid considerable stress on the
evolution of successful and scien-
nning and policy with regard to
taxation in the country. It
phasized that dependable statisti-
a and research study reports on
problems that arise in the course
dministration are an essential pre-
to the formulation of sensitive
policy in this respect. Consider-
nportance has been attached
e committee to research on
blems and planning. With this
view, the committee recom-
that the Directorate of Re-
and Statistics be organized
eloped into a Tax Research In-
within the Department of Revenue.
pinion of the Committee, the Ins-
hould be headed by a person with
e academic qualifications and re-
experience and its cadres be
by persons having the necessary
und and aptitude for research
irrespective of their seniority.
posted to the Institute should be
there for a sufficiently long time
le them to make a worthwhile
ition.

for research

as been mentioned in the report
ere is wide scope for intelligent and
research work relating to taxation.
npact of various exemptions and
ves which the tax laws provide,
ing to the committee, can be the
matter of a research study. In the
ight, it has been stressed that every
heme should be followed up by a
h study so that it could be enlarged.
ed or even dropped in the light of
dy. The research studies may also
e the government with a lead for
ng new measures or legislative or
ural changes. Research can help to
the possible effects of proposed
ive changes by examining a cross-
of the cases which any proposed
is likely to affect. Research, the
mentions, can be conducted for
ring the level of compliance in
s classes and sections of tax payers.
been contended that such a study
elp evolve formulae for selection of
for scrutiny, in assessing the need
etailed investigation in particular
of business or particular classes of tax payers or in choosing localities for intensive survey operations. Research studies could reveal loop-holes in the law and the scope for tax avoidance. Several other possible problems have been cited by the committee as examples of research problems which the Institute may effectively study. Thus, both on grounds of throwing up information and analysis thereof, research would strengthen the policy decisions that government may take on the issue.

two views

The views of the committee have two sides both of which require emphasis. The committee correctly assessed the importance of an institute like this in view of the paucity of up-to-date data and the general absence of serious studies on problems of taxation as mentioned in the report. The state of under-development in tax analysis and research has not a little been due to the unorganized and unmethodical system of data collection and data compilation. The committee noted the irrelevance of the statistics thrown up by the All-India Revenue Statistics published by the Revenue department. However, it will be noted that these data are fairly detailed and classified. They lose their sharp edge and relevance for policy purposes because by the time these figures are available the policies would have changed and the economic conditions would have been materially different. The suggestion of the committee to reorganize the Directorate of Research and Statistics of the Revenue department into a Tax Research Institute thus deserves serious consideration. Here, one question should not go amiss. The need for developing the Directorate of Research and Statistics into a Tax Research Institute is not quite understood. It is more logical to think that they coexist. They should of course operate within their respetive areas.

However, the primary concern of the institute should not be with direct taxes in view of the fact that in India the proportion between direct and indirect taxes is like 20: 80 respectively. In the circumstances embracing the direct taxes, particularly income-tax, would imply only about 20 per cent of the total taxes levied in this country, both direct and indirect, touching in the process only a fringe of the total problem. Moreover, among the indirect taxes many are levied by different authorities at the level of the state governments, municipal corporations, village panchayats and so on. At each level there are different indirect taxes that are levied creating a confusion regarding rates applicable on various items which are taxable and the interstate variations of tax rates, points of tax incidence, collection mechanism, etc. Leaving these taxes aside would mean ignoring reality. The scope and purview of the Tax Research Institute as conceived by the Direct Taxes Enquiry Committee would not be quite adequate for fulfilling the objectives that the committee had in view.

Secondly, the reorganization of the Directorate of Research and Statistics of the Revenue department into the Tax Research Institute implies that, according to the committee, the institute is to remain an addendum to the Revenue department and is to be manned by people essentially on deputation or on direct posting from different depertments of the government. The question of management by deputation has been debated at length in the context of public sector enterprises. The consensus is that such management suffers from several inadequacies. A major one is the absence of continuity in policies and their execution over time. The institute may thus have inbuilt weaknesses which are avoidable.

objective analysis

This may also negative some of the purposes that the committee had in view. First of all, it is necessary to recognize that the analysis intiated by this institute should be objective and non-partisan, so that the recommendations of the institute become matters for serious consideration by the government in the context of policy making rather than the recommendations themselves being influenced by current policy thinking of the government. This, however, does not mean that the activities of the institute would not take into serious view the objectives of the government in the context of evolution of a more suitable and sensitive tax policy as a part of the total fiscal policy of the country. The incidence of taxation, both direct

and indirect, requires a close view from time to time, so that the productive sectors of the economy do not suffer from any inequity and also from the scare of high rates of taxes on commodities which have national importance and priority and which are used on a wide scale as intermediate goods or industrial raw materials.

It has been common practice in this country that different types of direct and indirect taxes are levied by many different authorities at the level of the centre and the states resulting in an undesirable price push of the commodities concerned. In this respect, a private study conducted on 11 manufactured items has suggested that in most of these cases the incidence of indirect taxes alone comes to somewhere between 25 and 65 per cent of the cost of production. In the case of automobiles, the study conducted by the National Council of Applied Economic Research also endorsed the view that the incidence of indirect taxes on these items has been generally high. Proper policy measures to deal with the situation have been urgently called for.

budgetary savings

A reference to the fifth Plan Approach paper is appropriate here. Of the budgetary savings envisaged during the fifth Plan period, at current rates of taxation, the centre and the states are expected to raise Rs 7,522 crores or 21.1 per cent of the total public sector outlay. Additional resource mobilization through the centre and the states is expected to be of the order of Rs 6,615 crores or 18.6 per cent of the total outlay. While mobilization of savings at current rates of taxation is already an accepted fact, additional resource mobilization implies resource generation by the government through taxation of the order of Rs 4,150 crores on the part of the centre and Rs 2,465 crores on the part of the states. Even on current rates of taxes, it may be mentioned that these should not be assumed as a floor because the question of buoyancy in the corporate sector is integrally connected with the tax yield. This would also require modulation to prevent backward shifts. To those who already believe that India is among the highest taxed nations, this additional taxation would imply added burden and may dampen enthusiasm.

Whether the additional taxation should be in the form of direct or indirect taxes in varying proportions is another matter that requires consideration. At present, taxation of commodities accounts for nearly four-fifths of the aggregate tax revenues. It has been mentioned that commodity taxation suffers from the fact that no adjustment is made to the personal circumstances of the taxpayer.

expert body

On the side of the organization of the institute, it is possible to have disagreements with the point made by the committee. In the opinion of the committee, for effective discharge of the functions envisaged for the institute, it is not necessary to have it as a body independent of the government department. In fact, as envisaged by the committee, it does not cover any new ground in the sense that essentially it is to be based on transfers from one department or one post to another. Such an organization may not really be equal to the task. If it is conceived as an expert body, its objectivity should be the major criterion for its establishment. Such objectivity would require several steps: (a) The institute may be organized as a professional body established by an Act of Parliament. (b) The institute may be organized as a registered society but having a body of governors representing the cross-section of scholarly, professional opinion on the subject. This may be done by representation on the board of chartered accountants, cost accountants, legal experts, economists and administrators. (c) The institute should be headed by a person having the same qualifications as described by the committee but his selection should be from a wider compass of availability of talents, not necessarily from the administration. For an effective coordination of the government policy and the running of the institute's affairs, the secretary in the Department of Revenue should be an ex-officio member of the board of governors of the institute. The chairmen of the boards of direct and indirect taxes should also be ex-officio members of this board.

Tagging on to the department concerned may not bring full effectiveness of the institute as an expert, non-partisan body. It should have under its purview the revenues of the centre, the states and other authorities such as municipal corporations. The institute should focus on multi-disciplinary study of problems of taxation covering various questions that affect revenue collection, cost of such collection and the burden of taxes on different sectors in the economy and the people with respect to the declared policies of the government. It will also be necessary to consider the fact that
there are other research
the country which would be ca
undertaking tasks similar to those
ted to be the purview of this
Secondly, the mechanism of tax
tion would require considerable
lining to have any telling effect
organization of statistics in view
fact that the actual payment
for an assessment year may take a
longer period. The governmen
take into account the findings of th
titute before formulating the polic
the ensuing budget. The introd
the computer will considerably fa
collection and collation of data e
tiously. Introduction of the perm
account numbers is also a step in
right direction. It is, however, nec
that the problems are properly ide
and examined for possible solution
may be mentioned here that the n
of problems that may be encounte
this process is likely to be large an
solutions to these problems woul
be more than one for each case
circumstances, charting out the
lems and their alternative solutions
self a big task, to say the least.

collaboration effort

If an institute as recommende
the Direct Taxes Enquiry Commit
established, it should effect collabor
with the professional accounting b
in this country, the universities and
institutions of national importance
the legal profession. The question
taxes, tax policies and their impac
the economy at large should be st
closely with an eye to the rapid econ
transition that we have been seekin
effect in the economy. The shiftin
direct taxes backward and forward
the identification of the extent of
dence of indirect taxes on costs of
ferent commodities would requir
much closer watch than is being
now in view of the price push that
create. The recommendations of the
choo committee apart, it has be
urgent to trace the real reasons be
the price push in the economy
controlling the spiralling prices in
economy.

The recommendation of the D
Taxes Committee to establish a Ta
search Institute is logical and w
while. It must, however, be p
its logical shape. In fact, the c
views on the practical shape that the
titute would take would appea
only half-baked. It should be
dependent, objective and
organization founded on the b
composite of expertise.

Tax policy and price controls

H.T. Parekh

THE last two or three years, the system corporate and industrial taxation has dergone subtle changes, some of them the desired direction. Many industria- ts lament the forthcoming demise of the velopment rebate. During its life, deve- pment rebate did serve the purpose of mulating industrial investment. I per- nally believe that this single tax incen- e has done more to further industrial velopment than any other measure. I ould have liked this incentive to con- nue with some modification, but govern- ent has taken a different decision. How- er, industrialists, always cautious about cal innovations, would need to appre- ate all the implications of the proposed itial allowance and tax rebate on pro- s earned in backward regions. I am re that when they examine the impli- tions, particularly on their cash-flows, these incentives, they will find them ite stimulating.

Tax policy is a function of the needs the economy : what is done in other ountries or at other times is not neces- rily appropriate in India at the present. dustrialists seem to gather all the con- ssions given at different times in diffe- nt parts of the world, and put forward ese as their suggestions for a new fis- al policy. Not to be outdone, radicals em to accumulate all the taxes ever nceived and the highest rates adopted d offer these as their remedy for the untry's problems. A finance minister, ught between these two contrary pulls, as to make his own assessment of the untry's needs and chart a middle urse in the measures he adopts.

ew awareness

The recent fiscal policy changes are, an extent, a reflection of the new wareness of the problems facing the untry. Perhaps, while we had fairly apid industrial growth, particularly in e period between the mid-fifties and e mid-sixties, this growth has by-passed the backward states and districts. To those who have, more is given, and the Finance minister is right in now using the fiscal instrument to neutralise the advantages which developed regions enjoy.

> Paper presented at the Eighth All-India Conference of Tax Executives held in New Delhi on September 6, 7 and 8, under the auspicies of the Federation of Indian Chambers of Commerce and Industry.

However, it has to be recognised that there are also other areas in which the fiscal instrument can be used. I have in mind particularly the problem of developing core industries. Significantly, because they are basic industries, their products are subject to price control, formal or informal. Price controls create some problems even in times of relative price stability (as in the fifties and the sixties), but in times of inflationary pressures they create even more problems.

currency instability

And since the late sixties, we have been living in conditions of inflation (and currency instability) which seem to be world-wide. In the past when our development was based on capital goods imports, stable international prices afforded some neutralisation of capital costs. Now there seems to be no refuge from rising prices available anywhere in the world.

When a government controls prices of some goods in an inflationary situation when other prices remain unchecked, distinct anomalies arise : firstly, because costs rise while the product prices remain constant, there is a squeeze on profit margins; and secondly, when expansion or new investment is envisaged in such industries, high capital costs make investment in such industries uneconomic.

Let me illustrate this in relation to five industries: iron and steel, aluminium, fertilisers, cement and paper. All these are basic industries, and in all these some form of price control, formal or informal, operates.

In the last four years, the prices of these commodities have remained relatively constant under such price control. However, all other prices have gone up: the index of wholesale prices has risen from 174 in July 1969 to 247 in July 1973 —a rise of more than 40 per cent. This has raised costs for all manufacturers, including manufacturers of these five products, and has affected profit margins in these industries.

capital cost

The story at the capital cost stage iseven more serious. As an example, while the price of cement has remained constant to the producers at Rs 100 per tonne*, the cost of a 600 tonnes/day cement plant has risen from Rs 4 crores in 1969 to Rs 10 crores in 1973. To put it in other words, while two years' output of cement from a plant paid for its capital cost in 1969, today you need five years' sales to recover the capital cost of an identical cement plant. The result of-all this is, that cement at controlled price is hard to get, new capacity is not coming up and a portion of present production is selling in the so-called open market at exorbitant prices, the profit from which also escapes taxation, while cement companies are operating at loss.

This is also true of the other products,—iron and steel, aluminium, fertilisers and paper—mentioned by me earlier. Iron and steel plant costs have risen by 25 per cent, aluminium plant costs by 56 per cent, fertiliser plant costs by 17 per cent and paper plant costs by 47 per cent.

India put up its three new steel plants in the late fifties at about Rs 150 crores per million tonne capacity. The doubling of these steel plants in mid-sixties cost Rs 130 crores per million tonne additional capacity. Bokaro's cost at

*An interim increase of Rs 10 per tonne as sanctioned by the government a few days go.

7million tonnes capacity (admittedly with some built-in facilities for expansion to 4 million tonnes) is Rs 760 crores. The costs of the new steel plants in south India at 4.2 million tonne capacity are placed at Rs 1980 crores. All the large steel plants both in the public and private sectors are operating at loss under the prevailing controlled prices and are almost in an impossible position to build new production capacity.

The capital cost of a 1,000 tonne/day ammonia-urea plant was Rs 46 crores in 1969; it is now Rs 57 crores. An aluminium plant with 30,000 tonnes capacity cost Rs 26 crores in 1969; it would now cost Rs 40 crores. A 100 tonnes/day paper plant now costs Rs 28 crores, as against Rs 19 crores in 1969.

Higher capital costs not only affect the percentage return on capital, but also create a problem of finding the required additional financial resources. In the case of existing plants, the depreciation provided is not adequate to replace the assets, and additional ploughback from (depleted) profits is needed even to finance replacement.

basic industries

This is not a problem of the sectors : the industries listed are all basic industries in which the public sector is also vitally interested—or, as in paper and cement, is getting interested. The need to earn a surplus is equally relevant in the public sector. And given the vast call on budgetary resources, it is necessary that the public sector units find the funds needed at least for replacement from within the enterprises.

Various remedies have been suggested to meet the problem. Perhaps the most relevant is that of dual pricing. All requirements of even a basic product are not equally important: cement goes not only into dams but also in luxury housing. It is possible to allow for allocation at controlled prices of a part of the output for priority uses, and let the balance be allowed to be sold at free market prices. The proportion between the two can also be varied from time to time to check any undue rise in price in free market. Further, (as has happened indirectly in steel by permitting small steel producers to sell in free market), it should be possible to allow additional output to be sold in the free market. The main advantage of dual pricing is that it enables the price mechanism to operate at the margin, and thus helps to stimulate new investment and output.

This is a broad issue of government policy, which I am sure, must be exercising the minds of our policy-makers. In the meanwhile, assuming that a decision on pricing for these products takes time, as an additional measure there are various fiscal measures which can help to mitigate the adverse effects of price control on investment in these industries.

mini-steel plants

To some extent this system operates in the steel industry where additional output has been obtained from mini-steel plants. These new steel plants have met a basic need of the economy, helping domestic production and facilitating steel-based exports.

However, the steel industry which is almost wholly in the government sector is denied the advantage of higher prices, even on a small part of their output*. At present controlled prices of steel, some estimates suggest that the proposed new steel plants will not break even, even at 100 per cent capacity utilisation (which incidentally the public sector units have never reached in the past). We seem to be in a situation where we want to kill the iron goose even before it lays an egg.

A price control is imposed because demand exceeds supply. A price control does not restrain demand, and it does not stimulate supply. Given the need to stimulate supply to work off scarcities, it is necessary to devise a tax system which has this effect. To this end I suggest the following measures.

In the short-run, the only means of raising production is out of existing plants. I, therefore, suggest, firstly, that producers be given exemption from excise duty in respect of all output above a base level output. This measure has been tried in respect of sugar, paper and other industries in the past, and should also work in the future. This does not involve any loss of current revenue, but only of potential revenue—and for a period only.

Such a measure, besides giving additional revenue to the producers will also augment marginally their cash-flows. However, it is not likely to be sufficient to stimulate new investment. For this purpose, I suggest the following measures.

Firstly, the government should consider some form of a capital subsidy on investment in such industries. Such subsidy can take the form of a capital grant or loans at lower interest rates. The government has allowed, in the last budget, some public sector units to transfer the cost of their social investment (for example, housing) into interest-free capital. For backward areas the government has introduced a system of capital grants. The government might allow a capital grant to units in these industries. I also suggest that, as in the case of exports, the government allows a two per cent interest subsidy on all borrowings made for new investment in these industries.

Secondly, for all new plants in these industries, the government should allow the units to write off free depreciation, at least up to 100 per cent additional on their normal depreciation (apart from initial depreciation). A system of free depreciation prevails in some countries. Purely as an incentive device, I suggest that we try this out on a limited scale in India. This again is not revenue foregone, but only revenue deferred. Its main advantage would be to enable the industries to recover their plant costs faster, and thus to undertake new investment sooner.

tax holiday

Thirdly, priority industries should have the same status as units in backward regions for tax purposes. Therefore, I suggest that they be given a tax holiday on 20 per cent of their profits for 10 years. In effect, this is a system of differential tax rate, with a preferential rate for priority industries. This measure no doubt looses revenue to the exchequer on productive capacity established, but, by stimulating output, it enlarges the tax base, and thus pays for itself.

Finally, it is desirable that all output from new investment be treated as additional output and excise duty relief be given accordingly on such output.

It might be asked : will this not cost the government revenue ? It is here that the tax philosophy of a government plays a great role. In the past, the government is supposed to have 'lost' considerable revenue through development rebate. However, if you look at the revenue from corporation tax, you will find that the revenue increased from Rs 44 crores in 1953-54 to Rs 608 crores (budget) in 1973-74, which in the last full year in which development rebate will be claimed.

Moreover, you will notice that the government's collections from excise duties

*The government has approved a raise of Rs 75 per tonne of steel recently.

ther than those from tobacco and pet-
leum products) have increased from Rs
crores in 1950-51 to Rs 1562 crores
udget) in 1973-74. While a part of
is revenue has come from higher rates,
ost of this has been contributed by newer
dustries and higher production brought
out as a result of incentives like deve-
pment rebate. In fact, many com-
anies like, for example, aluminium com-
anies, are paying substantial taxes
rough excise duties simultaneously as
ey are 'drawing' incentives like deve-
pment rebate.

Deferring taxation has the same signi-
cance for government as deferring con-
umption for an individual : both forego a
urrent benefit in order to have a larger
uture benefit. In giving incentives, the
overnment does not 'lose' revenue; it in-
ests in tax incentives, and, by building
p taxable capacity through such incen-
ves, derives higher revenue in the future.

Development is a long-drawn process, and a nation has to take a longer view of its goals. Governments, more than individuals, can show this far-sightedness. A government has always to balance the present needs with future requirements.

A price control to some extent benefits the present consumers, and, to that extent, is a burden on the present producers. It is necessary that the government has to lay the foundation for future growth—which can only come through higher production.

It should be for the government to weigh the costs and benefits of various policies and arrive at a policy-mix which balances the demands of present consumption with the requirements of future growth. This problem has become more complex as a result of inflationary forces now engulfing the world. Like taxation, inflation has also become a fact of modern life. It is only by strong governmental action, of the kind suggested above, that the harmful consequences of such forces can be avoided. I hope that the sugges
tions made here will be in this light.

In spite of all the prophets of gloon
and in spite of all the hardships which th
public has suffered due to acute shortage
and inflation of prices of essentials of lif
and in spite of serious shortcomings i
government policy, I would like to end b
sounding a note of optimism. The coun
try is poised for perhaps a record agricul
tural production due to an excellent mon
soon. The export market is booming a
evidenced by world demand for our tex
tile exports. The capital and money mar
kets have ample financial resources fo
growth of industry and agriculture. Ther
is a great deal of enterprise among th
people. What we need is a governmen
having the courage to take bold decision
and having confidence in its people and i
their resourcefulness and capacity t
achieve results. I have no doubts on thi
score and I foresee great progress in th
years ahead, government and people mar
ching forward hand in hand.

Land reforms in Madhya Pradesh

Dr Hemchand Jain

THE NEED for agrarian reform arises
out of the existing defects in the agra-
rian structure. Land reform is neces-
sary in countries such as India for the
evolution of an agrarian structure favour-
ng the production of more food and
fibre to feed and clothe the rapidly grow-
ing population, to provide raw materials
for industry and to permit agriculture
to make its proper contribution to eco-
nomic and social development while at
the same time raising the level of living in
the countryside. The major defects in
the agrarian structure in agricultural
countries are "uneconomic small size of
farms, inequitable distribution of land
ownership, fragmentation of holdings,
unfavourable conditions of tenancy, the
existence of an occupational imbalance
and heavy pressure of population on
land and of large numbers of landless
agricultural workers having little secu-
rity of employment and inadequate in-
come, indebtedness and lack of credit
facilities for the small farmer, absence
of settled title to land and water, plan-
tations which offer low wages and no share in management to the cultivators and in general an unsatisfactory set of incentives for a rising and sustained agricultural production"[1].

In countries such as India, there has been a shift in thinking in respect of land reform. About two decades ago, land reform was thought of primarily "as the kind of fundamental change which takes place after revolution or in the aftermath of war, the redistribution of land representing both the result and the consolidation of a shift in the locus of political power." Now, land reform has come to be seen as a means of ensuring political and social stability—a preventive against revolution rather than a reason for it. There has been greater recognition that the existing forms of land tenure inhibit agricultural development and planned land reform, therefore, has been a prerequisite for political and social stability and economic advance. There has been also growing recognition that insecure tenants are unlikely to invest in improvements; that tenants caught in the vicious circle of poverty and ir
debtedness have no resources to invest i
improvements, that excessive growth i
population, continually subdividing an
fragmenting tiny holdings, is likely to de
troy soil and that social structures co
ditioned by great inequalities of lande
wealth are likely to inhibit all initiativ
and effort towards self-improvement o
the part of subordinate classes[2].

For the effective agrarian reform
other supporting measures are as esse
tial as the agrarian measures. Th
other measures include developme
of irrigation facilities, the extension
communications, the building up of
rural infrastructure, the provision of lo
cost credit, welfare facilities and a pri
policy that ensures adequate income
those engaged in agricultural produ
tion.

The major objective of agrarian
forms is to ensure that agricultural h
dings are of sufficient size to per
efficient farming, adequate incomes a
full use of labour and managerial abil

.arge inequalities in distribution of in-ome and land ownership are to be re-noved. The promotion of ownership of and by those who work on it is the ulti-nate objective and the hard core of hese measures. If the reform is real, hen small farmers, labourers and low sset group of cultivators in rural areas nust be benefited by it.

Land reform has a significant place n the approach to the problem of eco-omic development and social justice. he land reform measures include abo-ition of intermediaries of tenures, tenan-y reforms (i.e., regulation of rents, secu-ity of tenure for tenants and conferment f ownership on them,) ceiling on land oldings, (future acquisition and existing olding) and agrarian reorganisation consolidation of land holdings and pre-ention of subdivision and fragmentation, ind-management practices, development f cooperative farming and development f cooperative village management).

›re-independence approach

Even in the pre-independence days, ne need to abolish intermediaries was elt if one goes through the literature on ne subject of agrarian reforms in India. But "the land problem in India has not eceived sufficient attention from gov-rnment and we find ourselves confronted y an inefficient and exploitative land ystem which saps initiative, hampers conomic progress and leads to inequi-able distribution. This land problem is t the root of the many deficiencies and rawbacks of Indian agriculture and un-ss the rural reconstruction programmes nclude, as an integral part, the problem f land reform and reconstitution of our ind system, desired results cannot be chieved". After independence, the gov-nment could no longer remain indif-erent to this question. In our country, ne land policy of the government has een explicitly laid down in the five-year lan documents. The frame-work of the ational policy with regard to land was t out in the first five-year Plan when it as desired that the land systems based n the exploitation of the cultivators ould be gradually transformed so that ne tillers can receive the maximum return om their labours. The main objective f land reform measures in India was to emove structural impediments which ood in the way of agricultural produc-on and to create conditions for an ag-rian economy with high levels of effi-ency and productivity. As the land gislation is under the jurisdiction of the ates, it is the state governments which formulated land reform acts relating to their respective states' conditions after taking into consideration the Planning Commission's recommendations.

Land reforms started in Madhya Pradesh with the coming into force of the Madhya Pradesh Abolition of Proprietary Rights (Estates, Mahals Alienated Lands) Act on April 1, 1951. Prior to this Act, there were intermediaries between the state and tillers of the lands who used to get a certain percentage of rent or land revenue. In order to save the tenants from extortions and similar operations of the intermediaries, the Abolition of Proprietaries Act was enacted in the year 1951 which did away with intermediaries. The main features of the Act were to take away all proprietary rights from the intermediaries. The proprietary rights were considered to be real property as the Constitution of India guaranteed that no property would be acquired by the state without adequate compensation. Therefore, the intermediaries were paid compensation in lieu of their proprietary rights and the duties of collection of land revenue which was done by these landowners handed over to a person called the Patel of the village.

It was estimated that Madhya Pradesh had to pay Rs 22.10 crores as compensation including interest and rehabilitation grants within a seven-year period after the enforcement of the Act.

litigation and corruption

With the abolition of intermediaries, the estates owned by the intermediaries also came under the ownership of the government. They included tanks, ponds, water-channels, all waste lands, community lands, village forests, mines and mineral etc. This was, of course, besides the tenant-cultivated land which also came under the ownership of the government. The abolition of intermediaries had no doubt increased the overall land revenue receipts of the state but it had also increased the expenditure. The government has now burdened itself with the heavy duty of not only the collection of land revenue but also the determination of rights of holdings in land tenures. This aspect of tenure has given rise to litigations and to a tendency towards dishonesty; it has opened avenues for revenue officers to resort to unfair means.

But on the whole these land reform acts saved the peasantry from the oppressions of the intermediaries. The system of unpaid labour became a thing of the past. Now the tenants have the ri[ght] to sell their lands without paying [any]thing to the intermediaries. The abol[ition] of intermediaries has had far-reach[ing] effects on the distribution of land. No[t] only has their share of cultivated la[nd] been reduced drastically, but the va[st] areas of waste land and grazing gr[ounds] which they held, have now been acq[uir]ed. Due to the conferment of owners[hip] rights on tenants, they are taking gen[uine] interest in stepping up agricultural pro[-]duction. There is now direct relation[-]ship between the state and the tenants.

After the abolition of intermediaries, the government of Madhya Pradesh enacted the Land Revenue Code, 1959, to provide a uniform legislation for the whole state. The code incorporated al[-]most all the important features of land reforms as envisaged in the second five-year Plan in regard to uniformity of tenures, protection of tenants against ar[-]bitrary ejectment, rack-renting and con[-]ferring rights of Bhumiswami on them.

revenue code

The code provides for only one class of tenure, viz, "Bhumiswamis", for all those who held land for agricultural purposes from the state. The code provides a Bhumiswami will have the right of transfer subject only to the restriction that the transfer should not create a holding above a ceiling limit or an uneconomic holding, that is a holding below five acres of irrigated or 10 acres of unirrigated land. He shall be the owner of all trees standing in the holding. Subject to certain restrictions in respect of cutting of certain species of trees in the public interest, he shall be able to sell and dispose of timber of trees in his holding after obtaining permission in the case of some trees and without such permission in the case of others. This has enlarged the rights of land tenure holders over trees standing in their holdings.

The Bhumiswami will be able to mortgage his land both by simple or usufructuary mortgage subject, however, to certain restrictions. No mortgage shall be valid unless at least five acres or irri[-]gated of 10 acres of unirrigated land is left with the mortgager free from any en[-]cumbrance or charge. The landlord's option to evict the tenant was severely curtailed as he was given only one year's time to make his choice.

The code also incorporates adequate safeguards against exploitation of the cultivating class by landlords. Lands

are not fit for permanent cultiva-
r over which it is not desirable to
permanent rights or over which
ngs are to be erected, will be given
ise on such terms and conditions as
e justified in each case. It is now
cepted principle of land reform that
should be with the tiller who should
lly protected against arbitrary eject-
and rack-renting. All persons hold-
nd from Bhumiswamis as lessees,
nants or shikmis on the date of
g into force of the code will now
rmed as occupancy tenants.

s of resumption

Bhumiswami who holds less than
cres of unirrigated land under his
nal cultivation, has, however, been
the right to resume the land held
s occupancy tenant under the con-
that the total land under personal
ation of Bhumiswami including the
resumed by him should not exceed
cres of unirrigated land and the
ancy tenant should after such re-
tion be left with at least 10 acres
nirrigated land. After the Bhumi-
i has exercised rights of resumption
n the specified period, the occupan-
nant will acquire Bhumiswami
on paying 15 times the land re-
in five equal instalments. If after
mption, the Bhumiswami fails to
ate personally land resumed from
ccupancy tenant, the latter shall be
ed to restoration of that land.

n Madhya Pradesh, before the reor-
ation of states, the revenue laws and
tenures in all the five regions (Ma-
shal, Madhya Bharat, Vindhya
esh, Bhopal and a small group of
ges forming the Sironj region in Ra-
an) were different. The land revenue
1959—a uniform and comperhen-
system—did away with and replac-
he various tenures prevailing in dif-
t regions of the state.

The abolition of intermediaries and
ncy legislation leaves undisturbed the
rn of land holdings which is at pre-
defective and needs to be corrected
the points of view of both social
ce and economic efficiency. Imposi-
of ceiling on holdings is a measure
is direction. The objective of ceiling
land holdings was firstly to bring
t reduction in disparities and pave
way for the development of a prog-
ve cooperative rural economy and,
ndly, to provide land for redistribu-
to the landless sections of the rural
lation. The proposal to impose ceil-ings on holdings came in for fierce criticism on the ground that while other sectors of the economy were left untouched, there was no justification to single out agriculture for such discriminatory treatment and the proposal would have the effect of penalising efficient and enterprising farmers. It was also thought that the amount of surplus land that would be available as a result of the imposition of ceiling was too small to make any appreciable number of uneconomic holdings economic, while the distribution of surplus land among landless labourers would only give them legal titles to small bits of land without effecting any change in their economic position. Finally, the proposal would adversely affect the marketed supply of foodgrains. In Madhya Pradesh, all these points were taken into consideration while framing legislation on ceiling of agricultural holdings. The legislation made provision for the payment of compensation to land-owners whose surplus land was acquired. Well-managed and efficient farms were exempted from the provisions of the legislation and ceiling was imposed at low levels to satisfy the land hunger of landless labourers and cultivating tenants by distributing surplus land to them.

amicable solution

With the implementation of these Acts, the problem of intermediaries in the state has been amicably and peacefully resolved for all times to come. The cumulative result of these far-reaching measures has been that the cultivators have been liberated from the clutches of rapacious intermediaries and have been given full protection to their rights newly conferred upon them under the policy of land reforms. Above all, they have been brought into direct relationship with the state for the management of land and its proper utilisation.

A study on the "Implementation of Land Reform Legislations in Madhya Pradesh", was sponsored by the Research Programme Committee of the Planning Commission in 1965 on the same lines as were conducted and completed in many other states of the country. The broad objective of this study was to examine the problematic situation leading to the enactment of various land reform measures in Madhya Pradesh, the legal and administrative difficulties encountered by the implementation machinery and to study the impact of the implementation of the Madhya Pradesh Land Revenue Code of 1959 and the Madhya Pradesh Ceiling of Land Holdings Act as amended in 1961.

The study revealed the many administrative and legal obstacles in the way of fuller implementation of land reform legislation in Madhya Pradesh. It has been pointed out in this study that even when many years had passed after the implementation of land reform legislations, the records maintained by the revenue agency in the state were inconsistent, out of date and contained many errors. As regards the implementing agency, it was observed that the "patwari"; the key man in the implementation agency, is not sufficiently educated and, being low paid, has temptation to accept illegal gratification from big landlords who form an important force in rural areas. This was the main reason for the non-reporting of tenancy cases to the state government. It was also found that there were many legal flaws in the legislation which helped the large farmers to evade the legal provisions resulting in non-accrual of surplus land to the government. Thus the position of landless labourers in respect of getting surplus land from the government has not materially improved. The

government did not get sufficient land for distribution to them due mainly to non-reporting of tenancy cases by the patwaris. Land reform measures also have resulted to some extent in the inefficient use of land, as land was nominally cultivated by big landlords to keep possession and was not sublet to tenants in the fear of losing it. In some cases, it had led to the creation of uneconomic holdings below the subsistence level, specially where the small size of the holding was shared by more than one tenant.

The slow disposal of tenancy cases and the lack of response from the revenue authorities has discouraged the poor tenants to attend to the tiresome, expensive and legal procedure to get a small piece of land. The land which reverted to the state government because of the operation of the ceiling act was mostly unfit for cultivation and it was also out of reach of the poor tenant-cultivator to improve it, the Land Revenue Code has however been successful in abolishing all forms of tenancies and bringing about a uniform law for the whole state.

qualitative shift

In India today there is a qualitative shift in the rural social situation in respect of agrarian tension and upheaval in various parts of the country as confirmed by the union Home ministry's study on agrarian tensions. The limited land reform measures which formed the bedrock of policy making in our country since independence have failed in initiating agricultural development. The causes and nature of the current agrarian unrest has necessitated the implementation of genuine land reforms expeditiously as there are many gaps between objectives and legislations and between the laws and their implementation. The main objectives of these measures have remained unfulfilled. Any further delay in implementing genuine land reforms would accentuate social tensions and inhibit development in agriculture.

In Madhya Pradesh, there is an urgent need for reviewing land reform laws to make their implementation effective in the true sense of the word. The problems relating to land reform measures in the state are firstly, to reduce the upper limit of ceiling on land holdings; secondly, to remove loopholes in the tenancy laws; thirdly, to end absentee landlordism and lastly, to accelerate the slow pace of distribution of land to the landless. A phased programme of land reform implementation should be completed by a definite date.

The adoption of a new land ceiling bill in the state recently which amended the existing 1960 land ceilings law is a step in the right direction, conforming to the recommendations of the Land Reforms Committee appointed by the union government, which favoured lowering of the upper limit and withdrawing exemptions. The new bill has shown the way for other states to introduce similar measures in their respective states. It seeks to reduce the upper ceiling on agricultural holdings. Besides doing away with the provisions dealing with exemptions, the new measure is progressive in the sense that instead of individuals, it treats the family as the unit for land ownership. The new bill has also scrapped all those provisions which enabled the big farmers to circumvent the law.

Now a single-member family can own 10 standard acres, a family of husband and wife and three children can possess 15 standard acres and a family of husband, wife and more than three children can own 18 acres of land. One standard acre will be equal to three unirrigated acres. In other words, the actual ceiling for a single person will be 30 acres and for a family of five persons or more it will be 54 acres. The amended ceiling law was enforced with effect from January 24, 1971. The modified land ceiling bill raised the ceiling to 108 acres in the case of dry land.

It is estimated that about 50,000 acres of land might become available to the government for distribution to the landless after the new ceiling law had been enforced.

There is need for a fresh evaluation of the programme in the state as the previous evaluation study was not com- hensive in scope and the find- based on the survey of 10 vill- districts. It is quite possible that problematic situation relating to the plementation of land reform mea- much more different, looking at the sity and nature of the problem, was revealed in the earlier study. M- over, the previous survey was prelim- in nature. The new evaluation of the mate effects of land reform measures quires firstly the appraisal of all the reform measures since the start of implementation along with their im- diate effect on farming and the farm community. The previous survey had touched upon the problem of immed- effects on farming and the farmers' c- munity after the enforcement of reform measures. Thus a re-survey of the land reform measures in Mad- Pradesh should be conducted with a v- to studying the effects of all land ref- measures on the agricultural sector.

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Eastern Economist 30 Years Ago

SEPT. 24, 1943

Rationing of foodstuffs has been introduced in a number of cities, and is likely to be extended speedily to other areas, as recommended by the recent Food Conference. The defects of present rationing schemes are coming to light, and it would be a pity if in the schemes yet to be outlined and enforced the authorities should omit to correct these defects. One glaring defect of present schemes is the wide disparity in the quantities allowed in the different centres. For instance, the Travancore State, not being assured of regular monthly supplies from outside, stated that it would be obliged to allot rice ration only 3 oz per head daily as against the rice ration of 1.27 lbs. or [illegible] in Madras city and a mixed ration of [illegible] oz per head or 1½ lbs. in the city of [illegible] and yet it must not be forgotten that in T[illegible] arrangement has been made to purchase [illegible] of rice above the minimum subsistence [illegible] the landholders. While there may be [illegible] justification for providing [illegible] liberal rations to the hard manual [illegible] centre, there is no meaning in [illegible] disparate quantities in different [illegible] where the habits of diet are not the [illegible] Travancore cannot rest content with [illegible] meagre rations.

EC regional policies and problems

London

Jossleyn Hennessy

WINDOW ON THE WORLD

I

orge Thomson on the Job

EEC Commission has accepted the report on the basic principles of onal policy drawn up by the commissioner, Mr George Thom- ormer British Labour MP). It will e published as the EEC equiva- a "Green Paper".

eptance of the report was de- by the Community's prolonged e over farm prices. Originally, Mr on was scheduled to argue his o the Commission at the end of . In the event, to have done so in ril has worked to Mr Thomson's age, because he used the delay to ersuasively to the French and Germans, because it is France and Germany that will need careful ng if Mr Thomson's proposals are lve into a workable regional policy.

e October 1972 Community sum- nference established a mandate gional policy, which emphasised elements, collectively suggesting a cation of the competitive princi- f the Treaty of Rome. A fund is established; its functioning, rather ts size or purpose, is to be co-ordi- with the establishment of EMU; ng "differences existing between nt regions" is to be construed as eed to examine socially damaging conomically unfair competition en the prosperous and poor parts Community's members rather than legitimate competition in industry and amongst companies.

Britain's accession to the Community on January 1, 1973, has been widely regarded, other factors apart, as giving mandatory regional policy a strong push towards substantial aid to complement national regional policies. Mr Heath's government, in short, although only involved in limited national economic intervention, welcomes Community aid to help to alleviate a deep-seated economic problem. As a Regional Policy Directorate paper for March, 1972, stresses, Britain's regional problem is one of industrial decline rather than rural stagnation, and it has been with Britain for longer than any other member of the Community; its dimensions are greater; and successive British governments have not yet solved the problem.

Britain, therefore, has a particular political and economic interest in getting a substantial regional fund established, as agreed at the summit, by the end of 1973. The evolution of the EEC from a common market plus a protected agricultural sector into a true economic union will find Britain amongst the least influential members unless its seemingly endemic economic problems can be overcome. Mr Thomson's strategy must consciously ignore the British interest. But his tactics and timetable for 1973 can hardly do so. Hence his determination, incidental delays apart, to get approval for new thinking as quickly as possible. Now that Mr Thomson has this, he will promote public debate; visits to different national regions; procedural initiatives; a detailed programme or "White Paper"; and debate with the Council of Ministers in the autumn.

Britain is not the only member of the EEC with economic problems of regional disparities. Italy's problems are even worse. But there is a sense in which the Commission, as the Community's policy initiating body, does appear to recognise the special nature of the British problem and, bargaining considerations apart, actually welcomes Mr Thomson's determination to raise the fundamental issue of what economic union actually means.

In February, 1970, emphasis was on definitions of regions and, by using the measure of gross domestic product per head, on the real disparities between them which existed within every member. Although economists and statisticians dispute the merits of this measure for a detailed examination of disparities, it does provide some indication of the contribution which different regions are, or are not, making to national economies. Moreover, although a standard statistical approach for the enlarged Community will obviously take some time to set up, regional gross domestic product per head figures, albeit only officially available to 1964/65, enables a rudimentary comparison to be made between the Six and Britain.

widespread desparities

Using this approach, it could be said that, until comparatively recently, regional disparities were widespread for member countries except West Germany. It is argued that not only is the problem of disparities common, but that the way to alleviate it is to create in poor areas the same conditions for economic opportunity which exist in prosperous ones. This approach, reflecting the original spirit of the Treaty of Rome, was expressed clearly in October, 1971, when members agreed to divide the Community into "central" and "peripheral" regions. A simple distinction was drawn between the two types of region, namely that central regions, in receiving government aid, should not benefit by more than 20 per cent, after tax, on any one

[redacted]. Aid to peripheral areas was not to be thus limited.

Thus, a negative approach to disparities (or "imbalances") was proposed. The premise, geographical and economic distinctions apart, was that if the central regions received minimal aid, the others would, somehow, catch up. The premise, therefore reflected not only (a) the evolution of the Six (and, indeed, of postwar western Europe) into a prosperous industrial centre, a subsidised agricultural hinterland, and a stagnant periphery, but (b) the arguments propounded in the 1969 Commission study, *A Regional Policy for the Community*. Although the study referred to the task of balancing agriculture with small-scale local industry; to reviving traditional but declining industrial activities; and to seeing regional policy as part of "the achievement of the economic optimum", the crux was that all parts of the Community would be "exposed to increasingly keen competition". If that assertion is read with the study's forecast that the agricultural population of the Community, which has halved since 1947, would halve again by 1980, the unavoidable inference would have been that regional disparities would have increased not diminished.

II

George Thomson's Argument

The proposals now approved by the Commission were not deliberately designed to contradict either (1) the EEC's evolution as an economically competitive market or (2) the unspoken premise in the 1969 study: that the solution to regional imbalance lay in industrialisation, in emulating the central regions or the "golden Triangle" lying within Paris-Hamburg-Munich. In the first place, Mr Thomson must preserve an objective approach; in the second, although the U K and Italy can be shown to have regional disparities which distort their economies as a whole, there are sizeable problems elsewhere. The Common Agricultural Policy's effects obscure the true situation in France: there is much industrial decline in Holland and Belgium; Denmark points to Jutland, the Faroes and Greenland; in Ireland substantial industrialisation, or even a more productive agriculture, presents formidable human difficulties. If Mr Thomson ignored these problems, he would gather few allies.

In any case, much has happened since October, 1971, and the then division between "central" and "peripheral".

The EEC is not only committed, by the October 1972 summit, to an "interventionary" rather than a competitive market philosophy; the international monetary crises of the last two years have forced members to realise that they are being challenged by the United States and Japan, and, in the crucial case of oil supplies, by the developing world also. The EEC cannot afford stagnant or depressed regions. Mr Thomson's draft, a set of proposals, not a detailed programme for adoption and implementation, is timely in several ways.

revolutionary idea

Nevertheless, when political factors and the pressure of events are taken into consideration, it remains true that Mr Thomson's arguments are revolutionary on one fundamental and on several complementary issues. The fundamental issue is that the premises on which the 1969 study and the October, 1971, proposals were founded are given a thorough re-examination and, in effect, found wanting. Industrialisation as such cannot be the short and simple answer to region which are much more complev, diverse and problematical than the theory of "central" and "peripheral" suggests. Industrialisation is meaningless if regions continue to lose population and if other regions suffer from congestion; if costs are higher than in prosperous areas; if services and amenities are lacking; if regional purchasing power, let alone incomes per head, merely remain constant; if business has to be wheedled or dragooned (or, as in Italy, ordered) to invest in places which boards of directors would rather ignore and in which, incidentally, managing boards of directors and senior staff would not voluntarily choose to live.

Mr Thomson is not saying that the materially poorest regions of the EEC should be left in a state of (subsidised) nature or, blessed with some mysterious "quality of life", turned into tourist trade economies, nor is he saying that industry provides no answer. He is in effect saying that industrialisation by itself solves nothing; that, in so far as it may be part of the answer in certain selected cases, alleviation of problems will still only be possible if degrees of industrialisation are co-ordinated with other facets of economic and social planning. Mr Thomson is also saying that in certain cases, industrialisation (particularly of the capital intensive, advanced technology type) is unsuitable or irrlevant, and that other forms of aid will be required. Mr Thomson, in his own words, wants aided regions to become "self-sustaining". He leaves open the question of whether they can become relatively self-supporting, because he is implicitly challenging his fellow commissioners and the Council of Ministers to face the possibility that some parts of the EEC are never going to catch up. They can only be helped to provide a materially reasonable li[illegible] more modest scale than that [illegible] elsewhere. The draft report w[illegible] Commission has now accepted [illegible] rejects the empirical practice, [illegible] widespread throughout the EEC, [illegible] ing depressed or stagnant region[illegible] important to the health of natio[illegible] nomies as a whole.

The argument summarised [illegible] found in the re-thinking, rather th[illegible] practices or agreed policies, [illegible] Commission directorates. Selling [illegible] the political campaign which Mr [illegible] son must wage throughout the ye[illegible] has, in Commission "brains-trust[illegible]" the like, found support for the tre[illegible] his thought. Mr Thomson is kno[illegible] want "a more sophisticated con[illegible] for defining regions, which is a[illegible] way of saying that each region mu[illegible] looked at on its merits. This arg[illegible] both reflects Mr Thomson's app[illegible] and forestalls the objections of [illegible] who assert that pockets of stagnati[illegible] otherwise prosperous regions will b[illegible] nored in paying expensive handou[illegible] the farmers of Calabria and Galway[illegible] fishermen of Jutland, and 30 per ce[illegible] the population of the United King[illegible]

potential allies

Mr Thomson has thus received [illegible] operation from the commissioner [illegible] competition, Borschette, who might [illegible] been expected to look critically at a [illegible] gional argument opposed to a policy [illegible] limited discrimination favouring [illegible] regions; he can reckon on support f[illegible] Dr Hillary, provided there is no comp[illegible] tion for the size of their respective fu[illegible] support from Herr Haferkamp and [illegible] monet is, of course, dependent on [illegible] progress of EMU, but at least it can [illegible] said that the three commissioners n[illegible] each other. More important at this st[illegible] however, is that Signor Spinelli and [illegible] Lardinois are potential allies. The co[illegible] missioner for industry is well aware [illegible] some major but troubled enterprises, [illegible] aircraft and shipbuiding and, to a le[illegible] extent, textiles, have specific regional [illegible] terests. The regional policy and ind[illegible] trial directorates are, in fact worki[illegible] together.

As for agriculture, Mr Thoms[illegible] argues that, despite the tensions of a d[illegible] bate which conceals fears that the CA[illegible] is not sacrosanct, M. Lardinois will m[illegible] away from a price philosophy and [illegible] wards one which, whatever it is ca[illegible] will concentrate on agricultural eff[illegible] and a reasonable rate of return. Just [illegible] cause the CAP is under fire from w[illegible] the EEC and from across the A[illegible] Mr Thomson's optimism may be [illegible] mature, but at least it can be [illegible] the regional debate can increas[illegible] conducted inside the Commiss[illegible]

tional lines and decreasingly in terms [m]embers' national interests and quid [pro] quo.

[F]or such a functional debate to be ef[fecti]ve, however, Mr Thomson will need [bett]er analytical tools than he has so far. Signor Rugiero, the director-general [of t]he Regional Policy Directorate, has [not] only provided an annexe to the draft [repo]rt which is statistically impressive, [but] is striving to produce comparative [stud]ies. The effects of former and current [regi]onal policies, as carried out by mem[ber] governments and within member [state]s, have rarely been assessed, let [alon]e compared; external influences on [the] EEC and its members—for example, [the ro]tion of foreign investment, or the role [of i]mmigrant and migrant labour—have [not] been properly quantified; and expe[rien]ces of individual firms do not yet [form] part of the Regional Policy Direc[tora]te's critical apparatus.

[I]t is inevitable, therefore, that at this [stag]e of the debate, Mr Thomson should [rely] on statistics, and understandable [that] he should concentrate on those [whi]ch help him to define criteria for dep[riva]tion, if not necessarily for aid. And [it i]s at this point, too, that, despite the [bre]adth of argument and the political [shr]ewdness which Mr Thomson is dis[pla]ying, he should, by sheer weight by [com]parative statistical evidence, stress [the] particular problems of the UK, Italy, [and] Ireland. Signor Rugiero's staff has [pro]vided a sliding scale, on which depri[vat]ion against an EEC average is measur[ed] by incomes per head, unemployment [and] migration; the needle on this scale [can] be pushed up and down to show that [diff]erent areas of the Community are, or [are] not, deprived.

III

The Community's Poor Relations

But use of such a device cannot alter [the] fact that the UK, Italy and Ireland [em]erge as the EEC's poor relations by [wh]at most people recognise as a true [me]asure of economic viability or its ab[sen]se—incomes per head. Even if un[em]ployment is used this picture does not [fun]damentally alter. The same applies [to] migration. Regions in France, West [Ge]rmany and the Benelux countries [wh]ich suffer from migration do not appear [to] have low income per head or high [un]employment. Certain regions, above [all] Jutland, have graver unemployment [pr]oblems than almost anywhere else; be[ca]use of different criteria and measuring [m]ethods, registered unemployment figur[es] minimise real national differences. But [if] incomes per head and unemployment [ar]e taken together, the UK, Italy and [Ir]eland remain the poor relations.

The British view of the issues summarised above is coming to be more stark than even the Italian—where the problems of the south have held the regional stage for twenty years. The Industrial Development Executive at the Department of Trade and Industry not only (a) supports the thesis of deep-seated economic malaise in British regions, which amount to over half the country geographically and a quarter in terms of population, but (b) would probably argue that the two criteria of incomes per head and unemployment are sufficient to sustain the thesis, without need for more sophisticated analysis. The executive is "strongly in favour of the employment approach", particularly where employment in manufacturing industries is steadily declining—it now stands at approximately 37 per cent of the registered employed population. Not only that, but officials of the executive tend to suggest that the criterion of domestic product per head is an imprecise measure of deprivation, artificially narrowing the gap between real material conditions in different regions.

sceptical executive

It follows, therefore, that the executive is likely to be sceptical of the argument that if Britain's economy overall picks up, the poorest regions will catch up. By the same token, arguments in favour of picking up the economy by the establishment and operation of EMU are also doubled. What the executive is anxious to see is not only a really substantial Community Regional Fund, but a British government policy which would match that fund's generosity as far as possible. At the same time, and for reasons strictly comparable with these found in Brussels, the executive is coming to realise the limited contribution which even the Regional Employment Premium can make to bring new kinds of industry to regions which can hardly hope for revival—or survival—in agricultural, tourist, and "services" terms. (Since much land in such regions is still wasted, this argument may need revision). Although firms can be attracted to new areas, it is a moot point whether the money spent in subsidising them—in effect—would not be better spent on improving local conditions. Moreover, "foreign" firms (mostly American) have been allocated to the most deprived regions on a ratio of 70:30 to the United Kingdom as a whole. It is another moot point whether, for example, the presence of American "spin off" oil concerns in the north of Scotland is really in the best interests of Britain and this region, if the country's industry as a whole is to benefit from North Sea oil and gas.

If this appreciation sounds negative, it only reflects the fact that the executive is bound to mark time while Mr Thomson's programme unfolds. It will be relatively easy to mesh his specific aid proposals with the executive's ideas, because the British government, like all EEC members, knows that the Regional Fund is not going to be a substitute for national programmes. Mr Thomson's proposals for aid are concentrated on long-term projects, whatever these may be; national programmes, in practice, tend to favour short-term solutions, partly because the idea of an endemic problem and aid for an indefinite period are politically unpopular.

government function

The executive may therefore need to concentrate on an aspect of policy which has received little attention, not only in the UK and elsewhere in the EEC, but in the EEC's overall ideas on economic planning. Regional aid still largely remains a function of central government: the decision-making role of regional authorities is more apparent than real. Recent British governments, by the reform of local government and the acceptance of deep-seated regional problems, have begun to point the way to decentralisation. This process, throughout the EEC's members, may need to be accelerated if Mr Thomson's ideas are to be given a practical, operational form. The thrust of his ideas is towards Community economic planning; the executive of his programme is likely to depend on trusting regional authorities to make decisions based on direct local knowledge.

So far, Mr Thomson has demonstrated skill in winning acceptance for his basic thinking. It is reasonable to suppose, therefore, that the next real steps will also win initial acceptance. Long-term aid, as outlined in the draft report, is to be provided by (a) direct grants and (b) interest-free loans. Both kinds of aid, therefore, are a move towards positive direct involvement in regional problems. Incentives to private industry by tax remissions, allowances, and exemptions will remain in national programmes, but may become less important. It is too early to say whether Mr Thomson is thinking of a fund whose size will be determined by some sort of equation between long time scales and direct investment, but that is about the only inference which can be drawn at the moment.

Sources and acknowledgements: The foregoing summarises, by Special arrangement, a report in depth in the latest issue of *Economic Trends*, published by the Economist Intelligence Unit, 27 St James's Place, London SW1A 1NT, but the EIU is responsible neither for the emphasis of my summary nor for my interspersed comments.

Developing countries: rise in reserves

TOTAL INTERNATIONAL reserve of all countries had reached the equivalent of 150.1 billion special drawing rights at the end of the first half of 1973, according to the latest issue of *International Financial Statistics*, a monthly statistical publication of the International Monetary Fund. Total reserves have increased by three per cent since the end of 1972, when they were SDR 145.5 billion, and by 11 per cent since the end of the first half of 1972, when they were SDR 135.3 billion.

The largest increases occurred in the less developed countries whose total reserves reached an estimated total equivalent to SDR 32.0 million at the end of the first half of 1973. They had risen by 11 per cent over the SDR 28.9 billion registered at the end of 1972 and per cent over the SDR 25.1 billion at the end of June 1972, mainly reflecting increased export earnings due to rising commodity prices. Within the group of less developed countries, Latin America showed the largest reserve increase (17 per cent in the first half of 1973 and almost 52 per cent from mid-year 1972 to mid-year 1973), followed by the Middle East (13 and 31 per cent in the same periods), and other Asia (12 and 21 per cent). International reserves for Africa, excluding South Africa and Egypt, declined by three per cent in the first half of 1973.

little change

The group of countries summarized as "other developed areas" (non-industrial European countries plus Australia, New Zealand and South Africa) showed little change in the first half of 1973 when reserves increased by only one per cent to the equivalent of SDR 19.3 billion. However, their reserves had risen rapidly in the preceding period—by 26 per cent from SDR 15.3 billion at the end of June 1972 to SDR 19.2 billion at year's end.

The smallest changes from mid-year 1972 to mid-year 1973 occurred for the industrial countries whose international reserve increased by only four per cent, from the equivalent of SDR 95.0 billion to SDR 99.2 billion. For the first half of 1973, the increase in reserves amounted to only two per cent.

Total world trade increased considerably in the first quarter of 1973, as shown in the latest issue of IFS. World exports (fob) reached an estimated annual rate of US$429.2 billion in the first quarter of 1973—an increase of 24 per cent over the first quarter of 1972. Compared to the annual rate of $411.8 billion in the preceding quarter, world exports had increased by four per cent. This was a faster quarter-to-quarter rise than a year before, from the last quarter of 1971 to the first quarter of 1972, when an increase of three per cent was registered.

Exports of less developed areas reached an estimated annual rate of $78 billion in the first quarter of 1973. They had risen by 17 per cent over the annual rate of $66.5 billion in the corresponding quarter a year before. As reported earlier, exports of industrial countries were at an annual rate of $321 billion in the first quarter of 1973, an increase of 25 per cent over the $257.3 billion in the first quarter of 1972.

large increases

Second quarter export figures of those industrial countries for which they are now available show large increases. Exports of the United States increased from an annual rate of $62.7 billion in the first quarter to $70.2 billion in the second, or by 12 per cent; those of the United Kingdom from an annual rate of $27.4 billion to $31.1 billion, or by 14 per cent; those of France from an annual rate of $31.8 billion, to $37.3 billion, or by 17 per cent; and those of West Germany from an annual rate of $55.6 billion to $63.6 billion, or by 14 per cent.

These export values (fob) are expressed in US dollars, and the changes are affected by the depreciation of the dollar in relation to many other currencies. In addition increases in prices of internationally-traded commodities added subaddition, increases in prices of internationally—traded commodities added substantially to the value of exports. But even after corrections have been made for both of these influences, there remains considerable growth in export volume, surpassing the average annual rate of increase over the past three years. The currency unrest during that period thus does not appear to have weakened the real growth in international trade.

The latest August issue of the Fund publication *Direction of Trade* has a special section detailing the average annual rates of change for exports and imports of industrial countries for various periods over the past two decades. The percentage figures—based on US dollar values of both exports and imports—cover the periods 1950 to 1960, 1960 to 1970, 1960 to 1965, 1965 to 1970, 1970 to 1971 and 1971 to 1972.

standby arrangements

The Fund approved three standby arrangements for member countries in August, for Pakistan, Panama and Sudan. The arrangement with Pakistan authorizing purchases of currencies up to the equivalent of 75 million units of SDRs over the next year, is in support of a financial programme designed to promote economic growth while curbing inflation. A moderate deficit in Pakistan's balance of payments is expected during this year.

For Panama, the stand-by arrangement authorizes purchases of currencies up to the equivalent of SDR 9.0 million over the next twelve months. It will support a programme designed to strengthen the fiscal and financial performance of Panama with stronger tax administration and more regorous controls on expenditures and government external borrowing.

For Sudan, the standby arrangement authorizes purchases of currencies up to the equivalent of SDR 24 million over the next 12 months. It will support a programme of strengthening public sector finances and improving Sudan's balance of payments position.

The Fund announced that the Arab Republic of Egypt arranged to purchase the equivalent of SDR 24 million of deutsche mark and SDR 23 million in special drawing rights, to alleviate balance of payments' problems resulting in part from a shortfall in export earnings in the year ended April 1973. The purchases were made under the Fund's compensatory financing facility which assists countries experiencing a shortfall in export

earnings largely due to circumstances beyond their control.

The Fund announced a change in the par value of the Saudi Arabian riyal during August, from 0.197482 gram to 0.207510 gram of fine gold per riyal, and noted that the government of Saudi Arabia is availing itself of wider margins.

Drawings on the Fund by member countries totalled the equivalent of SDR 82.5 million in August and repurchases of previous drawings were SDR 53.1 million. Net drawings outstanding at the end of the month were SDR
million.

The Bahamas became a m
the Fund in August, raising to
bership to 126 countries.

Courtesy: Information Office,

Zambia reviews its plan

Hardev Si

PRESIDENT Kaunda of Zambia recently signed the constitution bill to empower the only party, the United National Independent Party, to run the country. The newly installed government has given a high priority to review the country's economic planning because several investment programmes forming an integral part of the country's second national development plan, 1972-76, had to be drastically pruned. The United National Independent Party is busy discussing a 10-year programme, 1974-84, which will place the projects of the second plan in perspective.

One of the first things that has been proposed is the restructuring of the banking sector. The existing banking system is to be rationalised so as to make it development oriented, avoiding unnecessary duplication and competition and making better use of the scarce resources. In fact in November, 1970, President Kaunda had announced the formation of two banking groups in which the state was to take 51 per cent share. There have been directives to the state enterprises to deal with the state banks but these banks are not able to compete with the facilities offered by the international private banks. The current discussions are, thus causing anxiety among the banking circles in Zambia.

some restrictions

Already some restrictions were introduced towards the middle of 1972 on the banking companies, primarily to improve the foreign reserve position of the country. The Bank of Zambia announced that the dividend remittances abroad may be made only once in a year after the end of the accounting year. It also laid down that the minimum reserve requirements of commercial banks should be raised from eight to 12 per cent in the case of demand deposits and from three to eight per cent in the case of time deposits. Liquid assets which commercial banks must hold were required to be raised from 25 to 28 per cent of their liability to the public, and the percentage of assets which might be held by banks in the form of bills of exchange and promissory notes eligible for discount at the Bank of Zambia might no longer exceed 20 per cent. Commercial banks were no longer to regard balances held abroad as 'liquid' asset in calculating the liquidity ratio.

copper output

The United National Independent Party will also have to give more attention to the output of copper because the country's fortunes are closely related to its output and its prices abroad. Copper accounts for nearly 95 per cent of export earnings and about 50 per cent of government revenue and consequently its output has substantial impact on development projects. It may be pointed out that during 1972 there was some improvement in the production of copper which increased by nearly 10 per cent over the previous year, due largely to the rehabilitation of mines disrupted during 1970.

Plans were already in hand for a substantial increase in copper production over the next few years. Part of this would reflect the resumption of normal operations at closed mines, but would be additionally supported by higher output from existing, reopened or new mines, with the result that total copper production is projected to rise to 900,000 tons by 1974-75, equivalent to an increase of nearly 40 per cent over the 1972 level.

An important feature of the second Plan (1972-76) is the emphasis placed on rural development, notably in new intensive development zones where it was planned to assist farmers by way of special government-sponsored comprehensive supplies of inputs. The second plan intended not only to achieve, and maintain, self-sufficiency in the majority of basic foodstuffs by the end of the plan, but also to prevent a further widening of the substantial gap between rural and urban incomes. The agricultural sector has been showing encouraging response to new incentives and policies, although its performance in 1973 is not likely to match that of last year.

The second plan also empha
that no new major industrial, tra
or power projects were to be la
over the next few years, in view of
heavy expenditure already committe
projects on which work was in prog
A number of projects launched in
field of textiles, chemicals, paper
paper board and food and drink
started yielding output. A motor v
cle assembly plant was commissio
towards the end of 1972 and the In
oil refinery and Kapiri Mposhi Glass
tory were expected to come into operat
during 1973. Other major projects
to come on stream in the near fu
include the manufacture of explosiv
cables and tyres. The eventual comm
sioning of these projects is expected
lead to a two-fold increase in gross o
put by 1976 over 1969. A large prop
tion of development expenditure over t
next few years will also be devoted to
economy's infrastructure. The imminc
completion of Kafue and eventual co
missioning of Kariba will together a
count for the greater part of the substa
tial (1,000 MW) increase in electric
generating capacity scheduled for t
plan period, while the 1,000-mile railwa
link to Dar-es-Salam represents by f
the largest single project in the transp
sector.

overall investment

The United National Independe
Party will also have to review the patte
of overall investment which in the secon
Plan was proposed at around 30 pe
cent of GDP, as against an annu
average rate of 24 per cent between 19
and 1970. Moreover, whereas high cop
per prices allowed Zambia not only t
finance the whole of the country's invest
ment programme from internal so
but also to build up a substantial fo
exchange reserve, this situation is
to prevail over the next few years. As
a result, the second plan has pre
a large increase in external b
in the period ahead, as well as a con
derable increase in domestic savings, b
of which would be necessary if a
rate of investment was adhered to.

THIS IS AN ANNOUNCEMENT ONLY AND NOT A PROSPECTUS

Announcement Regarding the Issue of 2,48,500 Equity Shares of Rs 10/- each and 3,006 9.5% Redeemable Cumulative Preference Shares of Rs [illegible] for cash at par.

The Subscription List will open at the commencement of banking hours on Friday, the 28th September, 1973 and will close at the close of banking [illegible] on Friday the 12th October, 1973 or earlier at the discretion of the Directors but not before the close of banking hours on Monday, the 1st Oc[illegible]

[illegible] are requested to obtain Application Form alongwith copies of the Prospectus available at the Company's [illegible] Office, [illegible] Broker, Brokers and the Bankers to the issue.

INDIA ENGINEERING & CONSTRUCTION COMPANY LTD

KANPUR • UNNAO

(Incorporated under the Companies Act 1956) Regd. Office: 64, Industrial Estate, Kanpur.

ACTIVITIES—EXISTING & PROPOSED

The Company was incorporated as a Private Limited Company in 1969 which was converted into a Public Limited Company on 11.6.1971 with a view amongst other main objects to acquire the running business of India Engineering & Construction Co., a partnership concern, engaged in the manufacture of Steel Tubular Poles, with all its assets, properties etc. The Government of India has issued to the company an Industrial Licence dated 29.1.1972 and as amendment on 10.4.1972 for affecting a substantial expansion by putting up a new unit at Unnao (Uttar Pradesh) for the manufacture of Steel Tubular Poles. Steel Tubes and Pipes of various types with a capacity of 39,000 tonnes per annum.

The Government of India has agreed to the import of H.F. Welding machinery, Equipment, Bearings, Designs, Drawings and Technical Know-How for the fabrication of Tube Mill from Messrs. DIPL. ING. H. NIGGEMANN, LANGENFELD, KIRSCHSTRASSE, WEST GERMANY.

The construction work of the factory is in progress and expected to be completed by the first quarter of 1974. The location is easily accessible by Rail and Road as it is located on the Main Highway No. 25, Kanpur-Lucknow Road, i.e. 1 km. from Unnao, 58.22 km. from Lucknow and 20 km. from Kanpur.

In view of the heavy demand for the ISI and ISO standard quality steel tubes and pipes and swaged and telescopic type Steel Tubular Poles in the country and abroad for distribution and transmission of electrical energy, the future of the company is very bright and the Directors feel that barring unforseen circumstances the company will be able to distribute a handsome dividend within a reasonable time from the date of start of production.

SHARE CAPITAL

Authorised:

4,50,000	Equity Shares of Rs. 10/- each	45,00,000
10,000	9.5% Redeemable Cumulative Preference Shares of Rs 100/- each	10,00,000
		55,00,000

Issued, Subscribed:

1,65,400	Equity Shares of Rs 10/- each	16,54,000
2,004	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each	2,00,400
		18,54,400

Paid Up:

1,400	Equity Shares of Rs 10/- each. Fully paid up in cash-subscribed by and allotted at par to Promoters, Directors and other members of the public	14,000
1,12,500	Equity Shares of Rs 10/- each. Fully paid up otherwise than in cash allotted at par in consideration of purchase of business of India Engineering & Construction Co. (Partnership concern)	11,25,000
10	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each.	1,000
51,500	Equity Shares of Rs. 10/- each. (partly paid up to the extent of Rs. 5/- per share in cash) subscribed by and allotted to one of the Promoters.	2,5[illegible]
1,994	9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each (partly paid up to the extent of Rs. 50/- per share in cash) subscribed by and allotted to one of the promoters.	9[illegible]
		14,9[illegible]

Shares offered for Public Subscription for cash at par:

2,48,500	Equity Shares of Rs. 10/- each.	24,8[illegible]
3,006	9.5% Redeemable Cumulative Preference Shares of Rs. 100/-each.	3,00[illegible]
		27,8[illegible]

TERMS OF PAYMENT:

Per Share

		Equity	Prefer[illegible]
On Application	Rs.	2.50	25.0[illegible]
On allotment	Rs.	2.50	[illegible]

The balance by two equal calls to be made by the Board of Directors of [illegible] company provided, however, that there shall be an interval of at least [illegible] month between the two calls as also between allotment and the first call.

NOTE: In the event of partial allotment of shares, the application mo[illegible] found surplus shall be adjusted towards, payment of allotment money due [illegible] shares actually allotted.

BOARD OF DIRECTORS:

Shri D.L. Mazumdar, I.C.S. (Retd.) —CHAIRMA[illegible]
(S/O Late Shri B.L. Mazumdar)
S-15, Panchshila Park, New Delhi—17.
Economist and Administrator.
Chairman of:
Drillmack, Ltd,
Krebs & CIE (I) Ltd,
Nalanda Ceramics & Industries Ltd.
Director of:
Indo—Asahi Glass Co. Ltd.
Sylvania & Laxman Ltd.

Shri Sudhindra Kumar Bhowmik —MANAGING DIRECT[illegible]
(S/o Late Shri K.K. Bhowmik)
85/57, Cooperganj, Kanpur.
Industrialist.

Shri Arjun Arora, Ex—M.P. —DIRECT[illegible]
(S/O Late Shri N.P. Arora)
14/23, Civil Lines, Kanpur.
Director of:
Brushware Limited.
Cawnpore Sugar Works Ltd.

Shri Atma Prakash Gupta —DIRECT[illegible]
(S/o Late R.B. Ram Narain)
15/260—A, Civil Lines, Kanpur.

Chairman & Managing Director of:
Cawnpore Chemicals Works Ltd.
...ao Steels (P) Ltd.

...ctor of:

Cawnpore Textiles Ltd.
...di Spg. & Wvg. Mills Co. Ltd.
Saran Engineering Co. Ltd.
...shware Limited.

R.K. Basu —DIRECTOR.
Late Shri S.N. Basu)
, Tilak Nagar, Kanpur.
...ineer.

Tushar Kanti Bhowmik —DIRECTOR.
Shri S.K. Bhowmik)
...7, Cooperganj, Kanpur.
...ness Executive.

...DITORS:

...srs. B.C. Jain & Co., Chartered Accountants,
...7A, Civil Lines, Kanpur-1.

...GAL ADVISER:

P.N. Bhalla, Advocate, Pheel Khana, Kanpur.

...NKERS TO THE COMPANY:

...e Bank of India, Industrial Estate Branch, Kalpi Road, Kanpur.

...NAGING BROKERS:

...rat Bhushan & Co., H-45, Connaught Place, New Delhi-1.

...OKERS:

...MBAY:

Dhirajlal Maganlal Sons, Stock Exchange Bldg. Fort.
Merwanjee Bomanjee Dalal, Alld., Bank Bldg., Fort.
L.K. Pandey, Bank of Maharashtra Bldg., 45/47, Apollo St, Fort.
Jamnadas Morarjee & Co., 5-A, Hamam St., 1st Floor.
Nagindas Chhaganlal, 68, Stock Exchange New Bldg., Apollo St.
Jasvantlal Chhotalal & Co., Bhupen Chambers, Dalal St., Fort.
Chiman Lal J. Dalal & Co., 107, Stock Exchange Bldg., Dalal St., Fort.
Mahadevia Bros., Stock Exchange Old Bldg., Dalal St., Fort.
Narandas & Sons, Union Bank Bldg., Dalal St., Fort.
Bhupendra Champaklal Devidas, 4th Floor, Bhupen Chambers, Dalal St., Fort.
Lewis & Jones, Bank of Baroda Bldg., Apollo St., Fort.

...W DELHI:

Bharat Bhushan & Co., H-45, Connaught Place.
Sikanderlal & Co., 42, Delhi Stock Exchange Bldg, Asaf Ali Road.
D.B. Malhotra & Co., 18, Stock Exchange Bldg., Asaf Ali Road.
J.C. Mehta, 44, Delhi Stock Exchange Bldg., Asaf Ali Road.
Raja Ram Bhasin & Co., Jewan Mansion, 8/4, D.B. Gupta Rd.,
Vinod Kumar & Co., A-6, Connaught Place.
Amrit Lal Bajaj & Co., United India Life Bldg., 'F' Block Connaught Place.
B.K. Khullar & Co., 31, Delhi Stock Exchange Bldg., Asaf Ali Road.
P. Roy Company, 3/8 M.M. Road, Jn. Panchkuin Road.
Mohanlal Gauba & Co., 6 & 47, Delhi Stock Exchange Bldg., Asaf Ali Road.
Harbans Singh Mehta & Co., 33, Regal Bldg., Parliament St.
Jalan & Co., Stock Exchange Bldg., Asaf Ali Road.
M.R. Soni & Co., 43, Stock Exchange Bldg., Asaf Ali Rd.
Ved Prakash Malhotra, 57, Delhi Stock Exchange, Asaf Ali Road.
Behari Lal & Co., Stock Exchange Bldg., Asaf Ali Road.

...LCUTTA:

M.M. Murarka & Co., 1/B, Mandeville Gardens.
Chunilal T. Mehta, 8, Lyons Range, P.B. 2519.
Place, Siddons & Gough (P) Ltd., 6, Lyons Range.
N.L. Roy & Co., P.B. 2390, 7, Lyons Range.
G.M. Pyne, 14, India Exchange Place.
Ramnarain Kalyan, & Co., 7, Lyons Range,

MADRAS:

1. Swastik & Co., Room 15, Bombay Mutual Annexe, 322/23, Linghi Chetty St.
2. Chitra & Co., 322/323, Linghi Chetty St.
3. Paterson & Co., 11/12 Second Line Beach.
4. V.S. Krishnaswami & Co., 106, Armenian St.

BANGALORE:

1. M.L. Gopala Setty, Block 2, 1 Floor, Bank of India Bldg., Kempagowda Road.
2. Jahgirdar & Co., Seshadripuram.

AHMEDABAD:

1. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole.
2. Champaklal Bhailal Chokhsi, Manek Chowk, Near Share Bazar.
3. Laxminarayan N. Gupta & Co , Anandji Kalyanji Bldg , Opp. Dhanasuthar's Pole, Relief Road.

HYDERABAD:

1. P.B. Afzalpurkar, 4-5-195, Sultan Bazar.
2. Gopaldas P. Jhaveri, B-4-347, Sultan Bazar.
3. Laxmi Narayan Rathi, 4-5-173, Hashmet Ganj, Sultan Bazar.

INDORE:

1. Pushkarlal Ghudawala, 44, Bada Sarafa.
2. Shri Kishan Chand Mal, 97, M.T. Cloth Market.

UNDERWRITERS:

The public issue has been underwritten as under:

Names & addresses of Underwriters.	Amount Underwritten (Rs. in lacs)		
	Equity	Preference	Total
1. U.P. State Industrial Development Corpn. Ltd., Kanpur	5·00	2·00	7·00
2. Industrial Finance Corpn. of India, New Delhi	5·55	0·45	6·00
3. Jasvantlal Chhotalal & Co., Bombay-1	1·00	—	1·00
4. Jamnadas Morarjee & Co., Jointly with Nagindas Chhaganlal, Bombay	1·00	—	1·00
5. L.K. Panday, Bombay-1	1·00	—	1·00
6. Dhirajlal Maganlal Sons, Bombay	0·50	—	0·50
7. Merwanjee Bomanjee Dalal, Bombay-1	0·50	—	0·50
8. Bharat Bhushan & Co., New Delhi	1·00	—	1·00
9. Sikanderlal & Co., New Delhi	1·00	—	1·00
10. D.B. Malhotra & Co., New Delhi-1	0·50	—	0·50
11. J.C. Mehta, New Delhi-1	0·50	—	0·50
12. Raja Ram Bhasin & Co., New Delhi	1·00	—	1·00
13. Vinod Kumar & Co., New Delhi	0·75	—	0·75
14. M.M. Murarka & Co., Calcutta	1·00	—	1·00
	20·30	2·45	22·75

BANKERS TO ISSUE

1. State Bank of India
2. Central Bank of India
3. Bank of Baroda
4. Bank of India

at their Main Offices at : KANPUR: MADRAS: NEW DELHI: DELHI: BOMBAY: CALCUTTA: AHMEDABAD: AGRA: HYDERABAD: BANGALORE: VARANASI: INDORE: LUCKNOW: ALLAHABAD: BARODA: PATNA : GAUHATI.

PROSPECTUS AND APPLICATIONS:

Copies of prospectus and application forms may be obtained from the Registered Office of the Company, the Underwriters, Managing Broker, Brokers to the issue and Bankers to the issue, named herein above. Applications must be on prescribed form only and in accordance with the instructions contained in the form and will be refused if not so made. Applications may be made only by residents of India. Multiple application and joint applications are liable to be rejected. Applications should be for a minimum of fifty shares or multiples thereof. Application Forms duly completed with the armount payable thereon, should be lodged with bankers to the issue before the close of subscription list.

KRISHNA...

e prime minister's

of priorities is truly bizarre. I ede readily that she must be feeling in Uttar Pradesh, but even her an-s about her party's possible fortunes e next general election for the state nbly cannot explain the urgency and est with which she is going after Mr sh Singh. To complain that his anti- activities, whatever they may be, itute the most serious problem her rnment has to face is to assert the rd. If her administration comes to , it will not be because of Mr Dinesh h or other members in her party whose ty to her may be less than total. t would eventually ruin her prime stership is the utter mediocrity of her net. Never before in all the years independence has there been such sreputable council of ministers as her ent team. There are so few persons ny intellectual calibre or administra-capacity in it that they could be coun-on half the fingers of one hand. If ere she, I would not be losing sleep the Dinesh Singhs or the Krishna ts but asking myself how soon I could id of the nincompoops or worse who rendered the present government acterless in more senses than one.

esident Giri has been

ing himself useful in Hyderabad visiting fair price shops, examining quality of the grain on sale or other-acting his role as the First Servant e people. Since Andhra Pradesh hap-to be under President's rule, he may have felt that his responsibility is not lly vicarious. Not long ago, in Uttar desh, which is also under President's , Mr Giri, it may be recalled, uttered e dramatic denouncements of hoar-and profiteers and the corrupt politi-s or officials who were hand in glove them. Which brings me to the rather resting point that, even as Mr Giri is ng his round of the ration shops in derabad, some senior officials in the l supplies department of the state ernment are reported to have submitted ir resignations on the ground that they e being prevented by orders from above from taking action against hoarders and profiteers. This, I imagine, places the President in a somewhat embarrassing position, and although he has just announced a voluntary cut of 10 per cent in his salary, this gesture may not save him from having to answer the question why even his physical presence in the capital of a state under President's rule has not been a deterrent to those in high places interfering with the prosecution of food offenders.

The firm stand which

the Home minister has taken *vis-a-vis* the agitating electricity engineers in Uttar Pradesh reflects the collective thinking in the cabinet that disputes raised by state government officials should be settled by the state government or governments concerned and that the central ministers should not act in a way which blurs this clear demarcation of authority or responsibility.

Some senior colleagues of the prime minister have been quite unhappy over the way in which Mr Khadilkar and Mr Raghunatha Reddy had been volunteering their services or even pressing them on state governments in connection with disputes such as the doctors' agitation in Maharashtra or the loco staff on the Railways.

For instance, Mr Jagjivan Ram, among others, has been taking the line that the centre's interest or intervention should be confined to offering its good offices when requested by state governments to do so and not be extended to encouraging or even countenancing any central minister talking or acting in the name of New Delhi and attempting to settle the demands of state government employees.

It may be pointed out here that the state governments themselves have been opposing proposals for the formation of all-India cadres for various services. This being the case, the disputes raised by state government employees will, in reason, have to be settled by state governments themselves in terms of the differing circumstances of different state administrations. Otherwise, — and should the centre allow itself to be involved in these disputes — there may be many complications, one of them being a demand for uniformity in pay scales for employees of various state governments, the acceptance of which could be ruinous to the finances of the less well-endowed states. Finally, once the centre gets directly into the act, it would find it difficult to resist the claims of state governments for financial assistance in implementing settlements of disputes for better pay scales or increased emoluments.

The Statesman's New

Delhi Notebook being among my favourite reading, I confess that I have developed a somewhat personal interest in its well-being. Consequently, I was rather less than happy with an item about Mr Krishana Menon appearing in the 'Notebook' on September 10. Mr Krishna Menon is reported to have asked: "Who can afford tomatoes worth Rs 4 a kilo?" Mr Krishna Menon was ill recently but even this cannot persuade me that he has become sloppy in his handling of the English language. I therefore prefer to think that what Mr Krishna Menon actually said was more to this effect: "Who can afford tomatoes at Rs 4 a kilo?" Judging from internal evidence I believe that this paragraph has been written by the resident editor. He must insist on more co-operation from the desk in future. *The Statesman*, after all, is known for its high standards of subbing. Incidentally, Mr Menon's parting shot was: "Why don't you take this servant of mine as your assistant editor?" I wonder whether the servant protested.

In the same weekly instalment of the 'Notebook', there is a reference to Mrs Gandhi's "8-point directive" to her cabinet colleagues on austerity. The point is made that, whereas this edict commands that government staff cars should be used only for official business, quite a few of these vehicles were seen "the other day" at the gates of public schools in Delhi, waiting to pick up the children of ministers or high officials. When I spoke approvingly of this passage to a member on the staff of *The Statesman*, he confessed that he was more amused than impressed. As he was leaving, he asked me whether I knew that a staff car of *The Statesman* had been placed at the disposal of a certain woman who was doing the interior decoration for a guest house to be used by the managing director when visiting Delhi. I said I did not, but now that he had told me, I would put it down in my 'Notebook.'

VB

MOVING FINGER

TRADE WINDS

The Tokyo Meet

DELEGATES of 82 countries adopted the "Tokyo declaration", launching a historic round of trade negotiations designed to rewrite the rules of international business at the recently held Ministerial Conference of the General Agreement on Trade and Tariffs (GATT).

More than 600 high financial officials and advisers from member-countries of the GATT took the move at the end of their three-day meeting in a bid to set the framework for foreign trade among the nations. The declaration stated that 'the negotiations shall aim to achieve the expansion and ever greater liberation of world trade and improvement in the standard of living and welfare of the people of the world'. The actual working level-talks, which probably will be known as the 'Nixon round,' are scheduled to open in the last week of October at the GATT headquarters in Geneva. GATT's previous round of trade negotiations from 1964-69 came to be known as the 'Kennedy round'.

The Tokyo declaration calls for the developing nations to be given concessions without having to make them in return. In Geneva, the US, Japan, and the European Economic Community will negotiate some of the protections they give their manufacturers and farmers in return for a better shot at foreign markets. "The developed countries do not expect reciprocity of commitments made by them in negotiations to reduce or remove tariff or other barriers to the trade of the developing countries,' the declaration stated. 'The developed countries do not expect the developing countries in the course of the trade negotiations to make contributions which are inconsistent with their individual development, and financial and trade needs.'

The declaration divides the developing countries into two classes, depending upon their state of economic progress. One group, mostly African countries, will be called 'least developed countries.' They will be treated on a different basis from nations like Brazil and Mexico which are further along the path towards economic modernisation. The ministers stress the need to ensure that these least developed countries shall receive special treatment in the context of any general or specific measures taken in favour of the developing countries during the negotiations. The GATT talks in Geneva will take up lowering of tariffs, elimination of non-tariff barriers, safeguards against aggressive trading, and more lieberal trade in food products. They will also discuss the problem of markets of developing nations in the economically advanced countries.

Cement Prices Raised

Cement prices have been increased by Rs 10 a tonne with immediate effect. An official announcement stated on Septembers 15 that this "interim" increase had been granted on the basis of an interim report of the Tariff Commission. The commission had been asked in April last year to urgently make a comprehensive review of the cement industry and recommend "fair ex-works" prices payable to producers. The purpose of the review was to ensure the development of the industry so that it met all the requirements, including exports, at a minimum cost to the economy. The cement control order has been suitably amended to give effect to this decision. For example, the price has been increased from Rs 164 to Rs 174 in one case and from Rs 141 to Rs 151 in another. The last time that the Tariff Commission inquired into the price structure of the cement industry was in 1961. The government had accepted its recommendation with some modifications in October, 1961.

Steel Price Raised

The union government has raised the price of all categories of steel by Rs 75 per tonne uniformly from the midnight of September 15-16, it was announced by Joint Plant Committee recently.

LIC Business

The total new business of the Life Insurance Corporation of India in August, 1973 amounted to Rs 144.61 crores involving 139,256 policies. This included foreign business worth Rs 79 lakhs. An official press release stated that during the month, the southern zone of the corporation completed the highest amount of new business (Rs 45.20 crores) followed by the western zone (Rs 19.80 crores). The eastern and northern zones did business amounting to Rs. 18.81 crores and Rs 19.04 crores, respectively.

Italy Raises Bank Rate

Italy decided to raise its bank rate from 4 per cent to 6.5 per cent, the Treasury ministry announced recently.

Management Symposium in Japan

The Asian Productivity Organisation Secretariat has invited nominations from member countries for participation in the five-day Top Management Symposium being held in Japan from November 26 to 30, 1973. The symposium is being implemented by the Japan Productivity Center in collaboration with Keizai-Doyukai (Japan C[illegible] Economic Devel[illegible]. Th[illegible] decision to hold the S[illegible] sium follows the directi[illegible] the governing body of AP[illegible] which at its 14th sessi[illegible] 1972, underscored impo[illegible] of the role played by [illegible] management in product[illegible] drive and emphasised the ne[illegible] sity of their deeper involve[illegible] in APO programme. It [illegible] line with this direction [illegible] Top Management Study M[illegible] sion to visit Japan and t[illegible] USA is also being organised [illegible] early 1974. The scope of th[illegible] Symposium will include: [illegible] Impediments and incentives [illegible] international co-operation su[illegible] as joint ventures — how to de[illegible] with them; (2) Foreign im[illegible] pacts on managerial practice[illegible] production engineering an[illegible] corporate planning; (3) Tech[illegible] nologies suited for "transfer[illegible] —how to identify and introdu[illegible] them; (4) Institutional rest[illegible] raints and benefits — how t[illegible] go along with government po[illegible] licies in respective countries [illegible] and (5) New elements and for[illegible] mats to be considered in inter[illegible] national training and technica[illegible] co-operation schemes.

Sugar Production

Sugar production increased by 7,52,000 tonnes upto August 31, 1973. The total production of suger upto end of August this year was 3.83 million tonnes as against 3.08 million tonnes during the corresponding period last year. Despatches of sugar during the period were 3.28 millions tonnes as against 3.63 million tonnes during the corresponding period last year. The stocks of sugar on August 31, 1973 with the factories were 1.15 million tonnes as against 8,62,000 tonnes on the same date last year. Eleven sugar factories were reported to be in production on September 7, 1973 as against eight factories on the same date last year.

Agricultural Financing

An international [illegible] on the agricultural fi[illegible] was inaugurated by M[illegible] Jaganathan, governor, Re[illegible] serve Bank of India [illegible] at Hyderabad. The S[illegible]

been jointly organised by FAO and the government of. India. The seminar, of its kind to be held in ia, aims at identifying ctical problems relating to nagement and functioning agricultural institutions to t the credit needs special- of small farmers in coun- s in Africa against the kground of Indian expe- ce. The countries invited participate are—Botswa- Ethopia, Gambia, Ghana, nya, Lesotho, Liberia, Mal- Mauritius, Nigeria, Sier- Leone, Swaziland, Tanza- Uganda and Zambia. itation has also been ex- led to the Organization of ican Unity.

he five-week seminar has n divided into three phas- The first phase of 10 days udes talk-cum-discussions the Reserve Bank Staff lege, Hyderabad, to be owed by an eight-day stu- tour to projects in areas in hra Pradesh, Mysore and arat. In the third phase, participants will re-as- ble at the Staff College open discussions on the is of papers to be pre- ed by the participants nselves on selected topics interest which may have ct bearing on the prob- s in their countries. The ticipants will also be vi- g Delhi during their stay India.

urism Training minar

two-day training semi- for persons connected n tourism and travel trade various levels in public private sectors commenc- at New Delhi recently. The inar was organised by ific Area Travel Associa- under the aegies of the partment of Tourism. Air ef Marshal P.C. Lal in- urated the seminar.

Ar H.F. Stanley, the for- director general of the ng Kong Travel Associa- and Mr F. Marvin Plake, executive vice president PATA in San Francisco come to Delhi to conduct seminar. A similar semi- was held in Bombay recently. The curriculum of the seminar included subjects such as tourism, marketing, advertising and public relations potential. About a hundred representatives from the union and state tourism departments, public sector undertakings, state governments, private hotels and travel agencies participated in the seminar.

Training in Manpower Planning

Training in manpower and organisational planning within the framework of the personnel function in industry is being conducted at a two week course on manpower planning and development beginning at Madras from September 17, 1973. The training includes job evaluation systems, wage and salary administration, personnel policies and practices for recruitment and training of employees. The course is organised by the Institute of Applied Manpower Research and is designed for senior executives from public and private sector industries.

Pay Scales in Banks

The committee set up by the union government for the standardisation of scales of pay, allowances and perquisites of officers in the 14 nationalised banks, has invited the views of those who are interested in the issues referred to it. Associations, unions and individuals wishing to submit memoranda to the committee have been requested to forward eight copies of their memoranda before October 5, 1973, to Mr R. Rajamani, member-secretary, Jeevan Deep Building (II Floor), Parliament Street, New Delhi. The committee is presided over by Prof V.R. Pillai and will submit its report to the government within a year.

Dredging Starts at Haldia

The union government has given green signal to Haldia Dock for the work of deepening the channel. For this purpose, a sum of nearly Rs 16 crores has already been sanctioned.

The work of dredging would be entrusted to M/s Constain Blankevoort International Dredging Co and the Dredging Consortium. The initial contract order would for a year in each case. The Calcutta Port Commissioners could extend it upto 20 and 24 months respectively for the completion of the work. The amount sanctioned includes Rs 5.54 crores in foreign exchange.

The oil jetty for handling oil tankers which form part of the Haldia project has already completed and commissioned in 1968. The dock system is expected to be commissioned by the middle of next year.

Zinc for Soil

The need of increasing the production of zinc sulphate to meet its deficiency in the soil for increasing agricultural production was emphasised recently by Dr S.R. Barooah, commissioner, Fertilizer Promotion in the union ministry of Agriculture. He was addressing a meeting of the representatives of the zinc sulphate industry and various ministries Zinc sulphate is an important micro-nutrient for increasing agricultural production. Its deficiency has been noticed in areas where high yielding varieties of wheat and paddy are grown. Dwarf wheat varieties especially, 'Kalyan Sona' are most susciptible to zinc deficiency. With the increase in intensive cropping in the coming years, more pronounced.

By the end of the fifth Plan, demand of zinc sulphate, is estimated to be 1.1 million tonnes. This demand could be met by setting up new factories. It was recommended that big galvanising industries using zinc should sell zinc ash to the zinc sulphate industry. It was also proposed that the export of zinc ash should be banned and the import of zinc sulphate for use as micro-nutrient should be allowed on an emergency basis.

Loans to Weaker Sections

Bank loans given at concessional rates to weaker sections of society unler the differential interest rate scheme increased by 100 per cent during the second quarter of 1973. Under the scheme, public sector banks disbursed over Rs four crores by June 30, 1973; the disbursement up to March 31, 1973 was Rs two crores. The differential interest rate scheme provides loans at concessional rates to persons with limited means in all backward districts of the country. These loans available to eligible borrowers at the rate of four per cent which has remained unchanged despite the recent upward revision of the bank rate to seven per cent. The number of borrowers who enjoyed the loans increased from 56,000 at the end of March 31, 1973 to over 102,000 by June 30, 1973.

Export of Hand Tools

Spanners, pipe wrenches, pliers, pincers, files and rasps, dies and taps, milling cutters, coredrilling bits are some of the Indian handtools, which are finding their way in the world

market. In 1971-72 hand-tools worth Rs 5.9 crores were exported, while during the first nine months of 1972-73 the exports have already touched the Rs 5.84 crore mark. The exports of handtools fetched Rs 4.9 crores in 1970-71 as against Rs 3.6 crores in 1969-70. The USA accounts for more than 50 per cent of the purchase of handtools, followed by West Germany, Czechoslovakia, Canada, Greece, Thailand, Iran, Australia and Poland.

Export by HEIL

There is a considerable spurt in the export of electrical equipment from India. This is more visible in the performance of Heavy Electricals (India) Limited, a public undertaking under ministry of Heavy Industry. The HEIL exported electric machines and equipment worth Rs 26.10 lakhs in 1972 as compared to Rs 13.39 lakhs in 1971. Transformers including reactors and motor and control gears booked larger export orders. This included a 2,500 HPAC Synchronous Induction Motor despatched to Iraq, the biggest exported so far from India. The HEIL's export order book stood at about Rs 98 lakhs from Malaysia, Kenya, Iraq, Bangladesh etc. The undertaking has important tenders active in Singapore, Malaysia, Australia, New Zealand, Kenya, Cambodia and Iraq worth over Rs 12 crores and have reasonable hopes of getting substantial orders in near future.

Fertilizer Plant for Korba

A contract was finalised between the Fertilizer Corporation of India Limited and Messrs Technoexport Foreign Trade Company Limited of Czechoslovakia recently for supply of design, engineering machinery required for liquid nitrogen wash plant and air separation plant to be installed at Korba in Madhya Pradesh. The contract was signed, on behalf of the Fertilizer Corporation of India Limited, by Mr K. C. Sharma, Chairman and Managing Director. These plants will provide requirements of oxygen and pure nitrogen for production of ammonia. The rated capacity of liquid nitrogen wash plant will be 51,480 normal metre cube per hour of synthesis mixture and that of air separation plant it will be 20,000 each of oxygen and nitrogen. The contract includes supply of air compressors with common facilities like heating station, liquid disposal system, final purification of synthesis gas, recovery of argon and liquid oxygen for the plants. After the erection is completed, the trial runs will be con-sidered completed if e[...] the plant is in operation c[...]nuously at an average lo[...] 90 per cent for a mi[...] period of one month.

Names in the News

Mr S.K. Majumdar, [...] while Joint Secretary, mini[...] of Finance and Fina[...] Adviser to the ministry of Pe[...]roleum & Chemicals, is t[...] new Financial Director of [...] India Limited.

Mr M.N. Bery, Mem[...] (Staff), Railway Board a[...] ex-officio Secretary to the g[...]vernment of India, has be[...] appointed Chairman of t[...] Railway Board, and ex-offic[...] Principal Secretary to the g[...]vernment. Mr Bery will ta[...] over from the present Chairma[...] Mr B.S.D. Baliga, when t[...] latter retires from service [...] October 12, 1973.

COMPANY AFFAIRS

Ashok Leyland Jubilee

HE 25TH anniversary of the ncorporation of Ashok Ley- and Limited was celebrated in Madras on September 7. Add- essing Mr Madhavan, Indust- es Minister in the government f Tamil Nadu who had been nvited to preside over the func- on, Mr T.A. Pai, the chief uest and the other guests ssembled for the occasion, Mr . Ranganathan, chairman of he Board of Directors, briefly aced the history and progress the company. Incorporated in 948 as Ashok Motors Limited, or the purpose of assembling ars and trucks in collabora- on with Austin of UK, the ompany arrived at its first nd most important landmark 1954, when its founder-direc- or, Mr Raghunandan Saran, uccessfully negotiated a colla- oration agreement with Ley- nd Motors of UK and secured e government's sanction for manufacturing programme r Comet and heavy-duty vehi- es. In the following year eyland Motors agreed to articipate in the equity of the ompany which consequently ad its name changed to Ashok eyland.

The company has now estab- shed itself as a manufacturer specialized vehicles for the efence Services, metropolitan ublic transport and a number industries. It has access to e complete range of B.L.M.C. eavy-duty vehicles ranging om 3 tons to 150 tons and has versified its production by veloping the manufacture of mpers for off-the-high-way plications. The indigenous ntent of its products has sen from 11 per cent in 1954 98 per cent in 1973 and its les turnover from Rs 1.40 ores in 1952 to Rs 32 crores 1972. On the export front, shok Leyland vehicles are ing shipped to Sri Lanka and the company is bidding for business in eastern Europe, Africa, West Asia and the far-East. It is currently setting up capacity to produce 1,000 heavy-duty goods and passenger vehicles and, meanwhile, has received a letter of intent for expansion of production of Comets from the present installed capacity of 5,400 vehicles to 10,000 per annum. This expanded capacity is likely to be achieved by 1978.

Mr T.A. Pai, speaking on the occasion, disclosed that government proposed to convert the Shakthiman truck manufacturing unit under the Defence ministry in Jabalpur into a corporation and equip it for an annual production of 40,000 trucks during the fifth Plan period. According to him the expansion plans for the existing commercial vehicle production units in the country would not be able to meet the demand of the public transport system and the frieight operators.

American Express

The Board of Directors of American Express Company has declared a regular quarterly dividend of 13 cents per common share, payable on October 1, 1973 to holders of record on September 7, 1973. The American Express Board also declared the regular payment of 57½ cents per share on its series $2.30 preferred shares, 50 cents per share on its series $2.00 preferred shares, and 37½ cents per share on its series $1.50 preferred shares, all payable on October 1, 1973, to holders on record on September 7, 1973. Howard L. Clark, Chairman, again pointed out that holders of the company's series $1.50 preferred shares, which are convertible into common shares on a one-for-three basis, would be paid dividends totalling 39 cents for each preferred share converted before the dividend record date of September 7, 1973. This compares with the 37½ cents payment on the Series $1.50 preferred shares mentioned above. This is the 105th consecutive year in which American Express Company has paid dividends to its shareholders.

Khatau

The directors of Khatau Makanji Spinning and Weaving Co. have proposed for the year ended June 30, 1973 a dividend of 10 per cent on a larger capital resulting from the one-for-two bonus issue as against 12 per cent declared for 1971-72. During the year the company's net sales went up to Rs 13.72 crores from Rs 12.32 crores while gross profit spurted to Rs 150.33 lakhs from Rs 108.89 lakhs in 1971-72. Out of the gross profit the directors have appropriated a sum of Rs 51.12 lakhs to depreciation reserve, Rs 3.02 lakhs to development rebate reserve, Rs 17 lakhs for taxation and Rs 66.81 lakhs for gratuity as against Rs 54.73 lakhs, Rs 17.84 lakhs, Rs 13.50 lakhs and Rs 8.65 lakhs provided respectively in 1971-72. This leaves a lower net profit of Rs 12.38 lakhs as compared to Rs 14.17 lakhs in the preceding year which has been transferred to general reserve.

TOMCO

The Tata Oil Mills which had reported extremely disappointing working results during the year ended March 30, 1973 forcing the directors to slash the equity dividend from Rs 4.50 to Rs 2.25 per share has turned the corner during the current year and if every goes well the company w able to restore the d cut. Although the com continued to suffer loss its operations in the first qua ter of the current year, though only on a declining scale, the tide has been reversed since then. The losses incurred in the first quarter have been made good and it is now in a reasonably profit earning posi tion and it will be continue to be so in the remaining part of the year. This welcome change has been brought about by structural changes in manu facturing operations, develop ment of new formulations for soaps and changes in marketing techniques. Sales in the first five months of the current year —April to August — amounted to Rs 25.5 crores as against Rs 24.5 crores in the same period of last year. The price increase granted by the government for soaps has been only six per cent while the raw material prices have risen much more. If the government had taken a quicker decision in this regard, the set back suffered by the company would have been less serious.

National Radio

The National Radio and Electronics Company is now out of the red. It has earned during the year ended March 31, 1973 a profit of Rs 18.82 lakhs as against a loss of Rs 24.92 lakhs in the 15-month period ended March 31, 1972. Sales recorded a modest increase to Rs 4.35 crores in 1972-73 from Rs 4.11 crores in the previous acounting period. After providing Rs 3.66 lakhs for depreciation as against Rs 4.26 lakhs, there is a profit of Rs 15.16 lakhs as compared to a net loss of Rs 29.18 lakhs in the preceding year. After adjusting against the brought-in loss of Rs 104.60 lakhs and making some adjustments, a debit balance of Rs 94.29 lakhs has been carried forward.

Ugar Sugar

The directors of Ugar Sugar Works have recommended an

ity dividend of 15 per cent the year ended June 30, 3. Out of this seven per cent dend will be tax free under ion 80 K of the Income Act. In 1971-72 the com- y paid an equity dividend 0 per cent. Although sales orded a moderate increase n Rs 7.28 crores to Rs crores gross profit receded Rs 70.16 lakhs from Rs .45 lakhs in 1971-72. Out he gross profit the directors e set apart a sum of Rs 12 lakhs to depreciation, 3.24 to development rebate erve, Rs 25.00 lakhs for ation and Rs 4.64 lakhs for tuity as against Rs 24.43 ns, Rs 0.33 lakhs. Rs 74.50 ns and Rs 3.21 lakhs pro- ed respectively in 1971-72. s leaves a lower net profit Rs 14.06 lakhs as compared Rs 14.98 lakhs in the previous year. After adjustments the disposable surplus amounts to Rs 17.67 lakhs as compared to Rs 44.31 lakhs in 1971-72. A sum of Rs 12.65 lakhs was transferred to general reserve out of which dividend amounting to Rs 12.61 lakhs will be paid. The company has received sanction for issuing one-for-five bonus shares. During 1972-73 the company crushed 2.96 lakh tonnes of cane as against 2.91 lakh tonnes in the preceding year and produced 2.97 lakh bags of sugar as against 3.45 lakh bags of sugar in the previous year, the sugar recovery being 9.94 per cent as against 11.84 per cent in 1971-72. The distillery produced 35.26 lakh litres of rectified spirit as against 36.76 lakh litres. Production of portable alcohol during the year was of the order of 2.55 lakh bulk litres as against 43,692 litres in 1971-72.

Unicorn Tyres

Unicorn Tyres is setting up a plant at Aurangabad for the manufacture of tyres and tubes for scooters, mopeds and motor cycles. The annual capacity of the plant is placed at 9,90,000 lakh units on the basis of three-shift working. The plant is expected to go into production by May 1974 and hence the company hopes to avail of the development rebate. As the plant is located in a backward area, the company will also be entitled to special tax benefits. The company will also derive benefits under the package of scheme of incentives from the government of Maharashtra. The turnover, net of excise duty, of the company is estimated at Rs 89.75 lakhs in the first year of production and it is expected to shoot up to Rs 138.21 lakhs in the fourth year. The operating profit is also expected to go up from Rs 9.19 lakhs to Rs 22.78 lakhs during the same period. In view of the assured marketability of its products and substantial tax and other benefits the directors are confident of declaring a maiden dividend of 10 per cent from the first full year of commercial production which would be increased subsequently to 15 per cent. The capital outlay on the project is estimated at Rs 60.44 lakhs and it will be met by the equity capital of Rs 18 lakhs, loan from SICOM of Rs 36.10 lakhs and government subsidy of Rs 6.34 lakhs. To finance a part of the cost of the project the company will

soon be offering to the public for subscription 1,08,000 equity shares of Rs 10 each at par. The public issue will be fully underwritten.

Bank of India

Bank of India has made dramatic progress in almost in all spheres of its activities during the year ended December 31, 1972. In fact the Bank's operations in India during the year were marked by a further gearing up of the organisational machinery so as to meet effectively the new challenges. The prominent features, among others, included an acceleration in the pace of deposit mobilisation, a push to credit disbursal to small borrowers and other economically weaker sections of the community accompanied by a broadening of the territorial coverage of such lendings, an intensification of the effort at widening the geographical spread of the Bank, particularly in rural and semi-urban areas, and in that process, the building up of the necessary infrastructure of branch network in the lead districts.

With sustained drive for deposit mobilisation, the Bank's deposits in India advanced from Rs 497.93 crores to Rs 581.57 crores, a rise of 16.8 per cent as against an increase of 14.8 per cent in 1971. This deposit growth is in marked contrast to the trend witnessed in the banking system wherein deposit growth rate declined by 4.6 per cent in 1972 as compared to the growth rate in 1971. Deposits in fixed accounts demonstrated highest buoyancy, [illegible] a rise of 15.7 per cent in [illegible] and consequently its [illegible] overall deposits moved [illegible] 51.9 per cent from 50.1 [illegible] cent in 1971. The gro[illegible] savings deposits, on the [illegible]trary slowed down to 1[illegible] cent from 21.7 per ce[illegible] 1971, followed by a reduc[illegible] in its share in total [illegible] from 28.8 per cent to 27.[illegible] cent. The number of [illegible] accounts during the year [illegible]led to 18.13 lakhs from 1[illegible] lakhs in 1971 representin[illegible]

rate of 15.6 per cent as ed to 14.7 per cent in)uring the year the bank 110 branches, the same 971, carrying the total of offices to 620 at the 1972. Of the branches , 49 were in rural areas in semi-urban centres. the total number of :s at such centres to 1 132 respectively. In g the branches emphasis 1 on the special needs of ›anked states and on uirements of lead dis- The Bank has now star- :rating on the basis of a :ar prespective plan. 73 plan envisages open- 155 branches of which be at rural areas and 51 i-urban centres. It is ed that at the end of ıe rural and semi-urban es will constitute 61 per the total. The branch k in the lead districts will ınd increased to 34 per f the total.

bank experienced a slackness in credit ex- n during the year. Ac- gly bank's advances in recorded a modest in- from Rs 382.16 crores to 2.26 crores or Rs 10.10 as againts Rs 62.39 crores 1. In its lending opera- the bank continued to all reasonable demands dit for productive pur- while extending at the time liberal credit to y-sectors covering agri- , small industry and business and other wea- ctions of the community. ank continued to main- s dominant position on port front. The export rose over the year by 36 crores to Rs 41.61 , the number of accounts ed increasing from 1008 1.

ing the year the Bank 1 an income of Rs 48.20 , Rs 5.77 crores more in 1971. The handsome income was, however, ılised by the sharp rise xpenses which went up Rs 5.72 crores to Rs crores. The net profit e year consequently was a higher at Rs 2.40 crores as compared to Rs 2.35 crores in 1971. Out of the net profit, a sum of Rs 48 lakhs was appropriated to reserve fund, Rs 97 lakhs towards bonus to staff, and Rs 10 lakhs towards staff welfare fund. After the above allocations the balance of Rs 84.84 lakhs was paid as dividend to government yield- in, a return of 5.771 per cent on the acquisition compensa- tion amount of Rs 14.70 crores or 20.95 per cent on the paid- up capital of Rs 4.05 crores as compared with 5.746 per cent and 20.85 per cent respectively in the previous year.

News and Notes

(*Expansion and diversification*)

The new textile mills at Rae Bareli of **Swadeshi Cotton Mills Company Ltd** went into trial production on April 8, 1973. In spite of the company's best efforts this unit could not go into commercial production on account of the connection for power supply not having been given by the state government. The company is now going ahead with its large-scale modernisation, renovation and expansion programmes. During 1972-73 the company spent Rs 33.53 lakhs towards addition to buildings, plant and machinery and contracts worth Rs 1.23 crores remained to be executed on capital account. Further such orders for Rs 1.24 crores have been placed during the current year. The government is considering favourably for the grant of a letter of intent to the company for the establishment of a plant for the manufacture of knitted fabrics with foreign collaboration. The new company will be promoted on receipt of letter of intent. The necessary clearance towards the promotion of a limited company by guarantee (100 per cent subsidiary of the company) for rendering *inter-alia* technical and marketing advice has not been obtained from the Registrar of Companies. The matter is, however, being pursued.

New Issues

Agarwal Steel Complex Ltd, is putting up a mini-steel plant opposite the Rishra Power Sub-station in the backward district of Hooghly in West Bengal. The company proposes to manufacture annually 21,600 tonnes of mild ingots including special types of ingots required for the manufacture of torsteel grade 50 and torkari bars. Civil construction work has commenced and commercial production of mild steel ingots is expected to start by the middle of next year. The company has received an offer from Agarwals, one of the promoters, to buy the company's entire ingot output at prices prevailing from time to time with the provision that the prices of ingots suitable for the manufacture of torsteel grade 50 and torkari bars will be higher than the market prices by Rs 90 and Rs 190 per tonne respectively. To raise a portion of the finance required for the execution of this project the company will soon be offering equity shares worth Rs 20.16 lakhs in shares of Rs 10 each and 11,000 (9.5 per cent) remeemable cumulative preference shares of Rs 100 each to the public for subscription. The capital outlay on the project is estimated at Rs 1.02 crores and it will be met from the proceeds of the total capital issue of Rs 44.60 lakhs, deferred payment arrangements of Rs 32.80 lakhs and bank borrowings of Rs 25 lakhs. The management feels that the company will be able to declare a fair dividend within a reasonable period from the commencement of commercial production.

Punjab Con-Cast Steels, promoted by the Punjab State Industrial Development Corporation and Oswal Woollen Mills, is setting up a mini-steel plant near Ludhiana. The company has received an industrial licence to manufacture 50,000 tonnes of steel billets. Initially it will be setting up two 10/12 tonnes electric arc furnaces to manufacture 36,900 tonnes of mild, high carbon and spring steel billets. The company hopes to commission the first furnace by October-November 1973 and the second furnace by February-March 1974. The continuous casting machine to be imported from Switzerland is expected to go on stream in early 1975. To raise a part of the resources required for the implementation of the project the company will be entering the capital market some time in October-November with a public issue of Rs 57 lakhs in 5,70,000 equity shares of Rs 10 each at par. The capital cost of the project is estimated at Rs 2.91 crores and it will be financed by the share capital of Rs 1.15 crores and loans from financial institutions of Rs 1.76 crores. The directors are confident that the company

will start earning profit right from the first year of commercial production.

Deccan Steel and Alloys Corporation will be approaching the capital market early next month with a public issue of Rs 18 lakhs consisting of 1,20,000 equity shares of Rs 10 each and 6,000 (9.5 per cent) cumulative redeemable preference of Rs 100 each. The proceeds of the issue will be utilised for financing partly the company's project being set up at Bangalore for the manufacture of bars, rods and light structurals. The plant will have an annual capacity to produce 36.000 tonnes of rounds and rods in straight lengths and light structurals which could be expanded to 50,000 tonnes with diversified production such as high carbon wire rods which are in good demand. The company has entered into an agreement with Andhra Steel Corporation for purchase of its billets and ingots. The plant is expected to go on stream by April 1974. The capital outlay on the project is estimated at Rs 92 lakhs.

Ajay Electrical Industries Ltd, New Delhi, is entering the capital market on September 27 to raise from the public Rs 21 lakhs in the form of 1,80,000 equity shares of Rs 10 each and 3,000 9.5 per cent redeemable cumulative preference shares of Rs 100 each. The subscription list will close on October 9 or earlier at the discretion of the company but not before October 1. The company has already allocated 3,000 preference shares to the Punjab State Industrial Development Corporation, 80,000 equity shares to Sylvania and Laxman Ltd, 39,930 equity shares to the promoters and directors of the company and 70 equity shares to the subscribers to its memorandum of association. The public issue, when fully paid, will raise the issued, subscribed and paid-up capital of the company to Rs 36 lakhs — Rs 30 lakhs in equity shares and Rs 6 lakhs in preference shares. The authorised capital is one crore of rupees.

The proceeds of the issue are to be utilised for meeting partly the cost of the electric lamps manufacturing factory which the company is putting up in the Mohali industrial estate, near Chandigarh. The project is estimated to cost Rs 86 lakhs, with a foreign exchange component of Rs 40.50 lakhs. As the share capital will provide Rs 36 lakhs, the balance requirements are being met by loans from the ICICI, Punjab Financial Corporation and National and Grindlays Bank. The ICICI loan will be in foreign exchange and meet the cost of machinery and equipment imports.

The company is licensed to produce annually 45 lakhs general lighting service lamps of 15 to 250 watts and 15 lakhs special lamps — train lighting, pigmy, night, colour, decoration and candle lamps (except those reserved for manufacture in the small-scale sector). The main plant and machinery are to be supplied by Bedalax Limited of the UK, Technical know-how is being provided by Sylvania and Laxman Ltd. The project is expected to go into production by January/February next year. In the very first year of its operations, it is envisaged to produce 20 lakhs GLS lamps and one lakh special lamps. The management of the company hopes that barring unforeseen circumstances, profit for 1974-75 will be adequate to declare a dividend of 10 per cent on equity shares after clearing all arrears of dividend on the already allotted cumulative preference shares. In the subsequent years, as production goes up, the dividend is anticipated to increase.

The marketing of the company's products is not expected to pose any problem as the availability of lamps is not likely to keep pace with the rapidly growing demand. Sylvania and Laxman Ltd., whose chairman, Mr Laxman S. Agarwal, is an associate promoter of the company, has ensured it adequate supplies of various components of lamps at competitive rates. Sylvania Laxman will also take up 50 per cent of the products of Ajay Electricals for marketing under its own name. The company will, thus, be required to set up a distribution network for 50 cent of its production. The main promoter of the company is a technologist entrepreneur, Mr Ranjit S. Goel, who is its managing Director.

Air Reduction Company Ltd, Kanpur, is entering the capital market on September 27 with a public issue of the value of Rs 10,20,000 comprising 1,02,000 equity shares of Rs 10 each. The subscription list will close on October 10 or earlier on the issue being fully subscribed but not before October 1.

The proceeds of the issue are to be used for financing the establishment of an integrated modern plant at Ghaziabad for the production of industrial gases—oxygen, nitrogen and dissolved acetylene. The capacity of the unit for oxygen manufacture will be 0.45 million cubic metres and for dissolved acetylene 0.1 million cubic metres. Part of the oxygen output will be in the form of medical oxygen.

The project is estimated to cost Rs 47.25 lakhs. The share capital will provide Rs. 17 lakhs, as already equity shares worth Rs 6.8 lakhs have been issued and subscribed. A loan of Rs 20 lakhs has been secured from the U.P. Financial Corporation. The balance capital requirements are proposed to be met through commercial loans, deposits on cylinders and deferred payment. The company's authorised capital is Rs 50 lakhs, divided into 3,80,000 equity sh[...] 10 each and 12,000 9.5 [...] cumulative redeemab[...] rence shares of Rs 10[...]

The company hopes t[...] sufficient profits in [...] first year of its op[...] declare about six pe[...] dividend. The dividend [...] pected to be raised in [...] cond year to 10 per ce[...] further to 15/20 per [...] the subsequent years.

The company has [...] the services of the well-[...] authority on the man[...] and distribution of in[...] gases, Mr T.P.L. S[...] technical consultant. [...] need has been felt to ent[...] technical collaboration [...] any other undertaking [...] manufacture of medical [...] gen will ensure adequat[...] wer supplies for the pro[...] an uninterrupted basis. [...] project is expected to be [...] missioned in the first q[...] of 1974. Since Ghazia[...] rapidly becoming an indu[...] complex, the products [...] company are anticipated [...] consumed in its neighbou[...] itself.

India Engineering and [...]ruction Company, K[...] is entering the capital mar[...] September 28 with a [...] issue of Rs 27.85 lakhs, [...]rising 2,48,500 equity sha[...] Rs 10 each and 3,000 9[...] cent redeemable cumu[...] preference shares of R[...] each. Incorporated as a p[...] limited company in 19[...]

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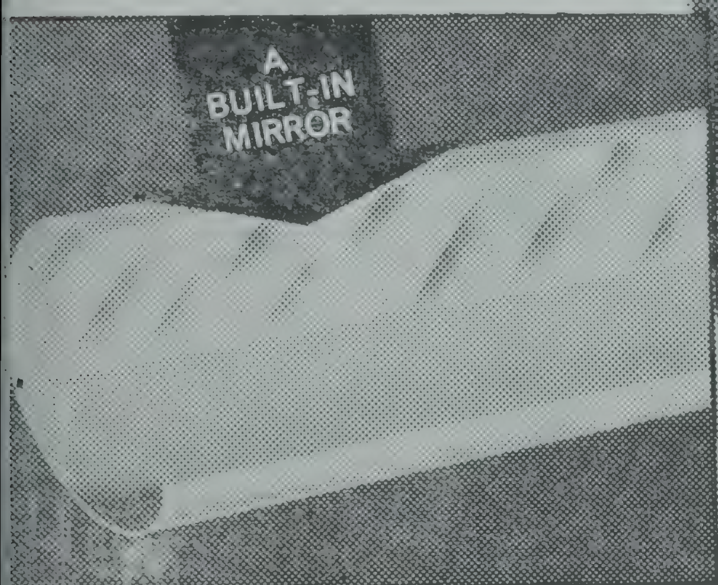

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onverted into public limi- mpany in 1971 to under- he manufacture of steel r poles and steel tubes ipes for transmitting and ıuting electricity, gas il. The proceeds of the are to be utilised for ; up a new unit at ɔ, in Uttar Pradesh, to ce annually 39,000 ton- ˙ steel tubes. Ultimately utput is to be raised to)0 tonnes per annum on e-shift basis. The pro- estimated to cost Rs 93 and is likely to be com- ned in the first quarter of The company has secu- onsultancy services from t German concern which lises in such projects. idend of 10 per cent on ıry shares is expected to ıounced for the very first of the operations of the ıit.

istration of ıpanies

npany formation in the ern region has improved ɡ the quarter ending June 973. Two hundred and wo companies (29 pub- 22 private and on assoe- n not for profit) having a authorised capital of Rs 39 lakhs were registered s region comprising the territories of Delhi, digarh and states of Har- Uttar Pradesh, Punjab, than, Himachal Pradesh Jammu and Kashmir as st 211 companies (18 pub- 90 private and 3 associa- registered during the pre- g quarter. Eleven com- s with a paid-up capital 66.51 lakhs went into li- tion and names of 18 com- s with an aggregate paid- ıpital of Rs 29.12 lakhs struck off. During the er under review, two com- s transferred their register ices from other states to tates of Punjab and UP hree companies transfer- eir registered offices from tates of this region to regions.

enty public and 117 pri- ompanies with an autho- capital of Rs 922.00 lakhs s 538.30 lakhs respective- re registered in Delhi and ına, while 3 companies were struck-off while three companies with a paid-up capital of Rs 15 lakhs went into liquidation.

Seven public and 35 private companies with an authorised capital of Rs 545.00 lakhs and Rs 245.80 lakhs respectively were registered in the state of Uttar Pradesh, while 4 companies with paid-up capital of Rs 1.02 lakhs were struck off while three companies with a paid-up capital of Rs 3.0 lakhs went into liquidation. Two public and 53 private companies with an authorised capital of Rs 25.90 lakhs and Rs 716.89 lakhs respectively were registered in Punjab, Himachal Pradesh and Chandigarh. During the same period, five companies with a paid-up capital of Rs 48.48 lakhs went into liquidation and name of one company with a paid-up capital of Rs 28.10 lakhs was struck-off. Fifteen private companies having authorised capital of Rs 73.50 lakhs and one association not for profit were registered in the state of Rajasthan. During the quarter under review, two private companies with authorised capital of Rs 20 lakhs were registered in the state of Jammu and Kashmir.

Capital and Bonus Issues

Consent has been accorded to five companies to raise capital amounting to over Rs 4.08 crores. Following are the details:

Jayant Paper Mills Ltd. Utran, has been accorded consent valid for 3 months to capitalise a sum of Rs 9.93 lakhs out of its general reserves and to issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every three equity shares held.

Capsulation Services Private Limited, Bombay has been granted consent, valid for 3 months, for issue of bonus harses worth Rs 14,11,200 only. **Mahendra Electricals Ltd, Nadiad,** has been accorded consent valid for 3 months to capitalise Rs 14,97,125 out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every four fully paid equity shares held.

Indian Aluminium Co. Ltd, Calcutta, having a subscribed capital of Rs 18,42,31,610 has been accorded consent to issue further capital of Rs 3,19,04,770 divided into 31,90,447 equity shares of Rs 10 each for cash at a premium of Rs 11 per share to be issued partly on right basis and partly through prospectus to Indian nationals only. The proceeds of the issue will be utilised for meeting the company's expansion scheme.

Insov Auto Ltd, has communicated to government for its proposal to issue capital under clause five of the capital issue (Exemption) Order, 1969 to the value of Rs 50 lakhs in equity shares of Rs 10 each to meet the initial expenditure of project for manufacturing of commercial vehicles.

Company Meetings

Hindustan Motors Ltd,: Birla Building, 9/1, Rajendra Nath Mukherjee Road, Calcutta-1; September 28; 3 P.M.

Jardine Henderson Ltd: Registered Office, No. 4, Clive Row, Calcutta-1; September 27; 11.00 A.M.

Seshasayee Paper and Boards Ltd: Registered Office, Pallipalayam, Cauvery R.S., P.O., Salem District; September 29; 10.30 A.M.

The Morarjee Goculdas Spinning and Weaving Company Ltd: Registered Office, Dr Ambedkar Road, Parel, Bombay-12; September 28; 11.00 A.M.

Hukumchand Jute Mills Ltd: Registered Office, 15, India Exchange Place, Calcutta-1; September 27; 3.00 P.M.

The Reliance Jute and Industries Ltd: Registered Office, 9, Brabourne Road, Calcutta; September 29; 12 Noon.

Dividends

(Per cent)

Name of the Company	Year ended	Equity dividend declared for Current Year	Previous Year
Higher Dividend			
Laxmi Starch	March 31, 1973	10.0	Nil
Salem Erode Electricity Distribution Co.	March 31, 1973	15.0	13.0
Tinnevelly Tuticorin Electric Supply Co.	March 31, 1973	14.0	12.0
Same Dividend			
Davangere Cotton	March 31, 1973	12.0	12.0
Universal Electrics	March 31, 1973	12.5	12.5
Kasthuri Mills	March 31, 1973	Nil	Nil
Mysore Amalgamated Coffee Estate	March 31, 1973	12.5	12.5
Rhotas Industries	March 31, 1973	Nil	Nil
Be Be Rubber Estates	March 31, 1973	Nil	Nil
Reduced Dividend			
Madras Forgings & Allied Industries (CBE) Ltd.	March 31, 1973	Nil	4.0
Port Gloster Industries	March 31, 1973	15.0	20.0
Ugar Sugar Works	June 30, 1973	15.0	20.0
Engine Valves	March 31, 1973	13.0*	16.0
Ashok Cement	March 31, 1973	Nil	6.0
Kurchermala Plantations	March 31, 1973	Nil	5.0

*On enlarged Capital.

RECORDS AND STATISTICS

Reserve Bank on demand pull

THE MOST disquieting aspect of the Indian economic scene during 1972-73 (July-June) was the severe and unabated pressure on the general price level. While this pressure was undoubtedly a consequence of the setback in farm production for the second year in succession, resulting in the severe shortage of a variety of wage goods, particularly those originating in the agricultural sector, an important contributing cause of it was the increase in total demand in the economy. The other factors on the supply side which sustained and accentuated the price rise, especially of foodgrains, were poor market arrivals and inadequate kharif and rabi procurement in relation to the demands of the public distribution system, at a time when food stocks with government were being drawn down rapidly. The problems arising from supply shortages were compounded by a very substantial increase in money supply during the year, on top of the large monetary expansion that had occurred in 1971-72. The price was due partly to the lagged effects of large increases in domestic expenditure, especially by government, in 1971-72. But a material factor in enhancing domestic demand was the higher level of government expenditure in 197273.

Total spending by central and state governments in 1972-73 amounted to Rs 11,942 crores, or 13.6 per cent more than in 1971-72. Simultaneously, expenditure in the private sector also grew as a consequence of larger money incomes, higher prices and development of a scarcity psychosis. In the event, the general index of wholesale prices recorded an unprecedented rise of 21.5 per cent during the year. This is the overall assessment of the Indian economic situation as made by the annual report of Central Board of Directors of the Reserve bank of India for the year ended June 1973.

Price Stability

Emphasising that all efforts should be made to restore not only price stability but also balance in the management of the economy, particularly in the sphere of public investment and public consumption, the annual report observes :

"The massive investment envisaged in the fifth Plan would require larger tax realisations, more public borrowing and in general a big increase in the rate of saving. The banking sector has to be geared to meet the challenge ahead through further broadening and deepening banking services not only for mobilising deposits but also for providing working capital finance for expanding industry, agriculture and other sectors. The contribution that can be made directly by government policies, financial and otherwise, will be far more important in achieving the twin objectives of growth and social justice; and it is these policies that will decide the future shape of the economy."

An unprecedented increase in the aggregate monetary resources available to the community during 1972-73 (following rise in governmental expenditure and large accretion of bank deposits), in the context of reduced agricultural output, according to the report, aggravated the inflationary forces. The continued upsurge in prices underlines the need to evolve measures, both-short-term and long term, for ensuring adequate supplies of wage goods, particularly foodgrains. The annual report points out that for the immediate future, the problem essentially resolves itself into one of operating the public distribution system efficiently, on the one hand, and undertaking measures to reduce current expenditures, on the other. The specific measures suggested in this connection are as follows :

It will be essential to undertake a large procurement programme of rice and possibly some additional import of foodgrains. A large procurement programme might involve having recourse to a levy system. If this is not possible, the extent of obligations that could be undertaken by government for sale of foodgrains through the public distribution system will have to be reviewed.

Since future government expenditures are difficult to predict accurately, it will be necessary to pay attention to better tax collection, larger borrowing, etc, in order to ensure that the budget deficit will be much smaller than in the previous two years.

Policy of Restraint

The basic characteristic of credit policy in the immediate future should continue to be one of restraint, allowing for flexibility in the use of instruments of control required to facilitate essential production and at the same time curb speculation.

The long-term measures suggested by the annual report are indicated below :

It has to be recognised that, for several years to come, public distribution of foodgrains and its management will continue to be of prime importance. As such the machinery for public distribution of foodgrains has to be put on a permanent basis, if it is to operate effectively in times of scarcity.

Along with proper distribution of food... co-ordinated measures... transport of foodgrains from surplus to deficit... and within the deficit... are necessary to ensure evening out of regional price fluctuations.

A major effort has... made in the production... Investment of resources... developing dry farming methods so as to facilitate certain degree of stability in agricultural output in areas susceptible to drought should receive high priority.

Investment in the public sector needs to be accelerated over the next five years. In doing this, ways should be found to ensure that realistic cost-benefit assessment of new public investments is made so as to economise on scarce resources.

Measures to stimulate industries in the private sector require consideration. A measure of continuity in government's industrial and tax policies over the Plan period could act as an incentive both to savers and to entrepreneurs setting up new industries.

There is scope for mobilising additional resources particularly at the state level as pointed out by the ... Committee, and efforts to improve administration and curbing tax evasion should be intensified.

Since provision has to be made for a variety of maintenance imports for industry, it becomes all the more important to take measures favouring a rapid increase in export earnings.

The main developments in the Indian economy as revealed in the annual report of the Reserve Bank are summarised below :

Saving and Investment

While there was no reduction in household savings in absolute terms during the ... 1972-73, savings of the private corporate sector had ... an improvement. ...

re has been an improvement net savings on the central ernment's revenue account. would appear that the ratio domestic savings to national come at current prices has reased from 11.3 per cent in 71-72 to 11.7 per cent in 72-73. Since the inflow of eign resources is estimated be lower (0.9 per cent, ainst 1.3 per cent), the ratio aggregate net investment to tional income at current ices in 1972-73 remained at out the same level as last ar, viz. 12.6 per cent. In her words, aggregate net vestment increased more owly than domestic savings. the investment goods prices ere higher, the achieve-ent in real terms was less an that reflected in terms of rcentage of national income.

ational Income and Output

It would seem form the avail-ble data on national income r 1971-72 and 1972-73 that e national income growth in ich of these years was consi-erably less than two per cent, gainst 7.3 per cent in 1969-70 nd 4.6 per cent in 1970-71. gricultural output, which had eclined by 1.7 per cent in 971-72, is likely to show an ven larger decline in 1972-73 espite the crash rabi program-e launched during the year. he output of foodgrains might t best be 100 million tonnes, gainst 104.7 million tonnes inal estimate) in 1971-72. The utputs of coarse grains, pulses, nd various commercial crops re estimated to be lower in 972-73 than in the preceding ear, while sugarcane output is xpected to be marginally igher. There, was, however, welcome increase in the rowth rate of industrial out-ut. This growth rate in 1972 vas 7.1 per cent, against 2.9 er cent in 1971 and 4.8 per ent in 1970. Nonetheless, it vas still below the targeted rowth rate of 8-10 per cent ostulated in the fourth Plan.

Price situation

The continuation of reduced upplies of agricultural pro-ducts and rapid expansion of monetary resources resulted in a sharp deterioration of the price situation. Between end-June 1972 and end-June 1973, the wholesale price index show-ed a record rise of 21.5 per cent, against 6.8 per cent in 1971-72. All the major groups have shared in the price rise. There was a phenomenal rise of 56.5 per cent in bajra, 28.3 per cent in jowar, 9.5 per cent in wheat, 16.9 per cent in rice, 64.3 per cent in edible oils, 6.5 per cent in sugar and 58.5 per cent in raw cotton. The prices of most industrial raw materials increased in varying degrees, ignoring seasonal in-fluences. With the exception of jute manufactures, the prices of manufactured articles, not-ably cotton manufactures, metal products and leather products, registered significant increases. The prices of inter-mediate products like cotton yarn, linseed oil, semis and non-ferrous metal products also showed sharp increase, reflecting the impact of price increases of their respective raw materials.

Budgetary Operations

The price situation was aggravated considerably by large increases in domestic expenditure which were reflect-ed in monetary expansion. A prime factor contributing to this expansion on the monetary side was increased government spending in the wake of the drought. The deficit of the centre during 1972-73 was Rs 882 crores or a little less than four times the 1972-73 budget estimate of Rs 251 crores. Deterioration in the budgetary position has occur-red notwithstanding buoyancy in aggregarte receipts. Total disbursements (includine loans and advances) showed a rise of 13.6 per cent in 1972-73. A large part of the rise was accounted for by developmen-tal outlays which were to rise by 5.0 per cent in terms of budget proposals but actually went up by 14.6 per cent. This was largely on account of the provisions of Rs 147 crores in central Plan for emergency agricultural production pro-gramme and increase in states' expenditure on agriculture, irrigation, education, public health, etc. While an increase of about 29 per cent in the centre's total disbursements over the budget estimates was on account of expenditure on gross capital formation, the balance of the rise was due to additional expenditure for pur-poses other than capital forma-tion. Defence and assistance for natural calamities each accounted for about one-fifth of the rise in total expenditure.

It was largely because of these increases that the centre's ex-penditure could not be contain-ed within the available re-sources in spite of buoyancy in aggregate resources. The cen-tre's consumption expenditure increased by 6.5 per cent and capital formation expenditure by 26 per cent. A little more than one-fifth of the gross capital formation expenditure of Rs 2,718 crores in 1972-73 was financed by gross savings (Rs 572 crores) of the govern-ment. The budget estimates of state governments in 1973-74 show a deficit of Rs 280 crores. This would, however, be reduced by Rs 82 crores to Rs 198 crores through addi-tional resource mobilisation and share in additional taxes received from the centre.

Money Supply and Banking Trends

Increases in public and private spending were accompanied by a fast growth in money supply and aggregate monetary re-sources. Money supply with the public expanded by 15.6 per cent in 1972-73, against 14.2 per cent in the previous year. Monetary expansion of this magnitude was attribut-able mainly to a substantial step up for the second year in succession in the net bank cre-dit to government to the extent of Rs 1,438 crores consisting of Rs 955 crores of net credit from the Reserve Bank and Rs 483 crores of commercial banks' investment in govern-ment securities. The compa-rative rise in 1971-72 was Rs 1,234 crores (Rs 878 crores of Reserve Bank's net credit and Rs 356 crores of commercial banks' investment in government securities). Net bank credit to the commercial sector had an expansionary effect of Rs 79 crores on mor supply, despite the fact that t increase in time depos (Rs 958 crores) was larger th last year (Rs 816 crores). T increase in total bank cre to the commercial sec (including the Food Corpor tion of India and other pub sector undertakings) at Rs 1,(crores was Rs 102 cro higher than in the previc year.

Credit Policy

The Reserve Bank's cre policy had to aim at the tv objectives of controlling gene credit expansion and susta ing production in prior areas. Between end-June a end-December 1972, the lume scheduled commerc bank credit remained prac cally unchanged. Demand bank credit showed signs picking up during the fi quarter of 1973 and thereaf the pace of credit expans accelerated. The emphasis policy had, therefore, to sl to restraint on credit expans through a package of measu which included a rise in Bank rate from six to se per cent, increase in the sta tory cash reserves from th to five per cent, increase in minimum net liquidity ra from 37 to 39 per cent, prescription of a minim lending rate of 10 per cent lendings other than specific exempted categories. Th measures, besides directly couraging commercial bar borrowing from the Rese Bank, served to raise a cauti ary signal and pave the way complementary action in ot directions.

Exchange Reserves, Imports Exports

Foreign exchange rese recorded a rise of Rs 37 cr to Rs 882 crores in 1972-73 against the rise of Rs 58 cr to Rs 845 crores in 1971 There was no fresh alloca of SDRs in 1972-73 (last the benefit to reserves f such allocation amounted Rs 75 crores) and the ru value of reserves went up Rs 35 crores (or by more twice the appreciation in 1 72), consequent upon the flo

[illegible]
exchange markets and the
tive appreciation of some
or currencies in which a
t of the reserves was being
d. Adjusting for these
ors, the reserves recorded
ominal rise of Rs 2 crores
1972-73, as against a decline
Rs 33 crores in 1971-72.
a had a trade surplus of
185 crores in 1972-73
ril-March), in contrast to a
le deficit of Rs 218 crores
1971-72. This surplus was
to the sharp increase in
orts (Rs 355 crores) and a
line in imports (Rs 48
res).

nmercial Banking

The banking system further
ended its geographical
erage in 1972-73, thereby
ucing regional imbalances
banking development. Dur-
the calendar year 1972.
mmercial banks opened 1,763
nches, which exceeded the
ual target of 1,500 new
nches envisaged in the pers-
tive plan for the three-year
iod 1972-74 (calendar years).
order to maintain the tempo
branch expansion, banks
e been advised to draw up
ing plans for each three-
r period commencing from
3. Credit purveyed to
ority sectors picked up
ing the year, although the
of growth in credit to
h sectors was rather slow.
h the reorganisation of
ional and divisional offices
more effective loaning
angements going apace, it
xpected that faster progress
be achieved in this area in
re years. This possibility
kely to be strengthened by
additional liberalisations in
pect of the guarantee cover
vided by the Credit Guaran-
Corporation of India.
ides, the extension of the
eme of commercial bank
ncing of cultivators through
nary agricultural co-opera-
credit societies should also
st improvement in the
wth of advances to these
ors.

Under the Lead Bank
eme, preparation of survey
orts is nearing completion.
rt from convening consul-
ve committees for banking [illegible] of districts, detailed studies were also initiated to identify credit gaps evolve credit plans for the districts. Banks continued their endeavours to cater for the financial needs of farmers in the 'adopted' villages. The number of scheduled commercial banks participating in the bills rediscounting scheme increased from 35 to 38 during the year. Further modifications were made during the year to expand the scope of the scheme. The refinance arrangement in respect of defence packing-cum-supply credit, when had continued under the old bill market scheme, was withdrawn from March 30, 1973.

Co-operative Banking

Co-operative banking policy during 1972-73 was directed towards ensuring that the co-operative credit structure in the country was strengthened financially and organisationally especially in the weaker states. It endeavoured in particular to assist small and weak farmers, ensured larger credit for production and investment, and provided relief to farmers affected by widespread drought. After considering the recommendations of the Study Group on linking borrowings from the Reserve Bank with deposit mobilisation by central co-operative banks, a modified scheme having the following salient features was introduced from July 1973 : (a) financial accommodation from the Reserve Bank to state co-operative banks on behalf of central co-operative banks for seasonal agricultural operations would be available at ½ per cent below the Bank Rate; (b) the highest level of borrowings from the Reserve Bank during the three years ended June 1973 would be deemed as base level borrowings and a rebate of 1½ per cent in interest would be allowed on fresh borrowings upto this extent: (c) a rebate of 1½ per cent in interest would also be available on additional borrowings upto twice the increase in the involvement of central co-operative banks in short-term agricultural loans from their own resources over the base year or to the full extent of additional finance provided to small farmers; (d) a special concessional rebate of 1½ per cent up to four times the central bank's involvement would be given in cases of low level of borrowings at present from the Reserve Bank due to higher levels of deposits already mobilised; (e) weak and non-viable central banks i.e., banks with a loan business of less than Rs one crore would be exempted from the operation of the scheme. The agricultural Credit Board decided that the study group should be made more broad-based and continued as a standing committee to examine matters arising from time to time in the implementation of the scheme.

The total credit limits sanctioned by the Reserve Bank to state co-operative banks for financing seasonal agricultural operations and marketing of crops at a concessional rate of two per cent below the Bank rate increased from Rs 394.04 crores in 1971-72 to Rs 415.38 crores in 1972-73. The outstandings as on June 30, 1973, stood at Rs 144.91 crores, against Rs 152.08 crores.

Medium-term Loans

The medium-term loans sanctioned by the Bank at a concessional rate of 1½ per cent below the Bank rate amounted to Rs 8.72 crores, against Rs 18.14 crores sanctioned last year. The outstandings as on June 30, 1973, were Rs 16.88 crores, against Rs 24.30 crores. The Bank also sanctioned medium-term credit limits of Rs 24.45 crores at 1½ per cent below the Bank rate for conversion of short-term loans into medium-term loans in the scarcity affected areas. Loans amounting to Rs 16.29 crores were sanctioned during 1972-73 out of the National Agricultural Credit (Long-term Operations) Fund for contribution to the share capital of co-operative credit institutions. The outstanding loans given by state co-operative banks for various purposes as on June 30, 1973, stood at Rs 552 crores, of which the amount owed to the Reserve Bank was Rs 229 crores.

Industrial Finance

The financial assistance [illegible] ded by the term-lending in[illegible] tions in recent years has sh[illegible] a rising trend. Disburs[illegible] during the fiscal year 1972-[illegible] continued to show an increa[illegible] At Rs 200.6 crores, they we[illegible] higher than disbursements of Rs 184.5 crores in 1971-72 (April-March). Total di[illegible] ments by the Industrial Deve[illegible] lopment Bank of India a[illegible] crossed the Rs 100 crore mark and amounted to Rs 106.6 crores, against Rs 94.0 crores. The total assistance sanctioned by the term-lending institutions was higher at Rs 309.3 crores, against Rs 304.6 crores. The increase in sanctions of financial institutions was due mainly to a rise in foreign currency loans by term-lending institutions. There was a decline in underwriting and direct subscriptions to shares and debentures. On the other hand, a substantial increase took place in sanctions and disbursements of foreign currency loans by ICICI and IFCI. Assistance provided by the SFCs also showed a marked rise. The bulk of this assistance has gone to the small sector of industry and small road transport operators. There was an increase of Rs 70 crores to Rs 645 crores in the credit extended by scheduled commercial banks to small-scale industries during the first three quarters of 1972-73.

Bank's Accounts

During the accounting year ended June 30, 1973, the Bank's income, after making adjustment for various provisions, amounted to Rs 271.29 crores, as compared with the last year's income of Rs 222.17 crores. Total expenditure amounted to Rs 41.29 crores, against Rs 37.17 crores. After appropriate transfers to the National Agricultural Credit (Long-term Operations) Fund, National Agricultural Credit (Stabilisation) Fund and National Industrial Credit (Long-term Operations) Fund, the surplus profit set aside for payment to central government was Rs 130 crores, against Rs 120 crores paid last year.


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ect Taxes nendment) l, 1973

Direct Taxes (Amend-
Bill, 1973—Bill No. 75
73—which was introduced
Lok Sabha on Septem-
, provides for a wide
of amendments to the
ne Tax Act, 1961, the
th Tax Act, 1957, the Gift
Act, 1958, and the Com-
s (Profits) Surtax Act

ne main objectives of the
dments proposed to be
in the Income Tax Act

) to provide for certain
oncessions for encourag-
ndustries in selected sec-
and those in backward
s" as also for promotion
esearch and development
exports;

i) to bring out the inten-
underlying the provision
ection 271(1)(i) of the In-
Tax Act relating to the
sition of penalty for de-
or default in furnishing
ns of income with a view
emoving the difficulty re-
ng from the recent ruling
he Supreme Court in the
of Commissioner of In-
e Tax vs. Vegetable Pro-
s Ltd;

iii) to provide for exemp-
from tax in respect of
est payable by public
ncial institutions and bank-
companies established in
a on loans raised in foreign
ntries in certain cases;

iv) to provide for exemp-
from tax in respect of
rds for literary, scientific
artistic work, or for pro-
ncy in sports and games,
tuted or approved by the
ral government;

v) to provide for exemp-
from tax in respect of
rds given by the central
any state government for
oved purposes;

vi) to remove a practical
culty in the working of the provision relating to tax exemption in respect of remuneration of certain foreign technicians; and

(vii) to empower the Central Board of Direct Taxes to make rules with retrospective effect to give effect to subordinate legislation which is not prejudicial to the interests of tax-payers.

The purpose of the amendments to the Wealth Tax Act, the Gift Tax Act and the Companies (Profits) Surtax Act is to bring the provision therein relating to penalties for late submission of returns of net wealth, gifts and chargeable profits and the provisions relating to the power to make rules in line with corresponding provisions envisaged to be made in the Income Tax Act.

The most important amendment to be made in the Income Tax Act is to enable the government to allow 20 per cent initial depreciation for machinery or plants installed after May 31, 1974, for power generation or distribution, for construction and for the manufacture of a selected number of items. This initial depreciation is also to be provided for ships or aircraft acquired after May 31, 1974.

Since initial depreciation is being allowed with effect from May 31, 1974, it is obvious that it will replace development rebate which is being withdrawn from that date. The bill, however, does not make any specific reference to development rebate.

The 20 per cent initial depreciation is to be allowed to 22 selected industries with a view to fostering their growth and for encouraging the development of backward areas. Promotion of research and development as well as exports is aimed at under various other tax concessions proposed in the bill.

The 22 selected industries for which "deduction, by way of initial depreciation, of a sum equal to 20 per cent of the actual cost of new machinery or plant (other than office appliances or road transport vehicles) installed after May 31, 1974, for tax calculation is being provided, include the following (these industries are to form schedule 9 of the Income Tax Act).

1. Iron and steel (metal).
2. Non-ferrous metals.
3. Ferro-alloys and special steels.
4. Steel castings and forgings.
5. Thermal and hydro power generation equipment.
6. Transformers and switchgears.
7. Electric motors.
8. Industrial and agricultural machinery.
9. Earth moving machinery.
10. Machine tools.
11. Nitrogenous and phosphatic fertilisers.
12. Soda ash.
13. Caustic soda.
14. Commercial vehicles.
15. Ships.
16. Aircraft.
17. Tyres and tubes.
18. Paper, pulp and newsprint.
19. Sugar.
20. Vegetable oils.
21. Cotton and jute textiles.
22. Cement.

A 20 per cent cut in income tax is to be allowed for setting up new industrial undertakings or hotels in backward areas. The backward areas have been specified for the purpose.

Awards given for literal, scientific and artistic work or for proficiency in sports are envisaged to be exempted from income tax provided they are either instituted by the central government or approved by it. Rewards made by the central or state governments for approved purposes will also be exempted.

Salaries to research personnel engaged in scientific research related to business carried on by a tax-prayer or related to its inputs, is proposed to be allowed as a tax deduction. The provision in the bill applies to salaries given for three years proceeding the commencement of a business. Weighted tax deductions will be allowed for sums spent on sponsored research. The weighted deduction for export market development is envisaged to be enhanced.

The following are the details of the main clauses of the bill:

Clause 2 of the bill seeks to make certain amendments in section 10 of the Income Tax Act relating to incomes not included in the total income. Sub-clause (a) to this clause inserts a proviso in the Income Tax Act which would empower the central government to waive a condition for the exemption of the remuneration received by a foreign technician from income tax for a specified period. Under the existing provisions in the Income Tax Act, the remuneration received by a foreign technician is exempt for income tax for a specified period if certain specific conditions are fulfilled. One of the conditions is that the technician should not have been resident in India in any of the four financial years immediately preceding the financial year in which he arrives in India. Under the proposed amendment, the central government will be empowered to waive this condition in the case of technicians who are employed in India for designing, erection or commissioning of machinery or plant or supervising activities connected therewith, if it considers it necessary or expedient to do so in public interest.

Under another amendments sub-clause (b) of clause 2, interest payable by specified public financial institutions on moneys borrowed from sources outside India will be exempt from income tax to the extent to which interest does not exceed the amount of interest calculated at the rate approved by the central government having regard to the terms of the loan and its repayment. The public financial institutions specified in this regard are the Industrial Finance Corporation of India, the Industrial Development Bank of India and the Industrial Credit and Investment Corporation of India. Similar exemption is proposed to be made available in respect of interest payable by any other financial institution or a banking company established in India on loans raised in foreign countries under approved

agreements for the purpose of advancing loans to industrial undertakings in India for importing raw materials or capital plant and machinery or other goods which the central government may consider necessary to import in public interest.

Sub-clause (c) of clause 2 seeks to interests two new clauses in section 10 of the Income Tax Act. Under one of these clauses (17A) awards for literary, scientific and artistic work as also for proficiency in sports and games, instituted or approved by the central government, will be exempt from income tax. The other amendment under sub-clause (c) of clause 2 provides for exemption from income tax in respect of rewards given by the central government or state governments for such purposes as may be approved by the central government in this behalf in public interest. Both these amendments are envisaged to take effect from April 1, 1973.

Through clause 3 of the bill, section 32 of the Income Tax Act is sought to be amended in respect of deduction from income tax for depreciation. Under sub-clause (a) of this clause of the bill, a new clause (vi) is being inserted in sub-section (1) of section 32 of the Income Tax Act. The new clause (vi) provides for deduction by way of initial depreciation, of a sum equal to 20 per cent of the actual cost of new machinery or plant (other than office appliances or road transport vehicles) installed after May 31, 1974, for the purposes of business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the ninth schedule which is proposed to be inserted in the Income Tax Act under clause 16 of the bill. (This schedule lists the 22 industries mentioned earlier in this piece).

This deduction will also be admissible in respect of new ships or new aircraft acquired after May 31, 1974, by a tax-payer engaged in the business of the operation of ships or aircraft. Second-hand ships or aircraft which were not previously used by any person resident in India and reconditioned machinery or plant imported from abroad will also qualify for the grant of initial depreciation allowance, subject to certain conditions. No deduction will, however, be admissible in respect of any machinery or plant installed in any business premises or residential accommodation, including a guest house. The initial depreciation will not be deductible for determining the written down value for the purpose of normal depreciation for the years following the year in which the allowance is granted. These amendments will take effect from April 1, 1974.

Clause 4 of the bill seeks to make certain amendments to section 34 of the Income Tax Act relating to conditions for depreciation allowance and development rebate. Sub-clause (a) of clause seeks to amend sub-section (4) of section 34 of the Income Tax Act. Under this amendment, initial depreciation under the new clause (vi) proposed to be inserted in sub-section (1) of section 32 by clause 3 of the bill, as also under the existing clause (v) of that sub-section, will not be allowed in the year in which the asset is sold, discarded, demolished or destroyed. Sub-clause (b) of clause 4 to seek to insert a new sub-section(2A) in section 34 of the Income Tax Act. The new sub section (2A) provides that the deduction under the said new clause (vi) will not be allowed in respect of machinery or plant installed for the purpose of the business of construction, manufacture or production of any one or more of the articles or things specified in the ninth schedule proposed to be inserted under clause 16 of the bill unless the tax-payer furnishes a certificate from the prescribed authority to the effect that the machinery or plant has been installed for the purposes of such business. These amendments will take affect from April 1, 1975.

Clause 5 of the bill seeks to amend section 35 of the Income tax Act relating to deductions in respect of expenditure on scientific research. Sub-clause (a) of this clause seeks to insert a new explanation in clause (i) of sub-section (1) of section 35. Under the new explanation, expenditure incurred within three years immediately preceding the commencement of the business on payment of salary to research personnel engaged in scientific research related to the bustness carried on by the tax-payer or on material inputs for such scientific research will be allowed as deduction in the year in which the business is commenced. The deducation will be available only in respect of expenditure incurred after March 31, 1973, and will be limited to the amount certified by the prescribed authority. Sub-clause (b) of clause 5 seeks to amend sub-section (2) of section 35 of Income Tax Act. This amendment is consequential to the insertion of a new clause (vi) in sub-section (1) of section 32 of the Income Tax Act under clause 3 of the bill. Sub-clause (c) of clause 5 seeks to insert a new sub-section (2A) in section 35. New sub-section (2A) provides that where the tax-payer pays after March 31, 1973, any sum to an approved scientific research association, university, college or other institution for sponsored research related to his business, he will be allowed a weighted deduction equal to on and one-third times the sum so paid. This deduction will be admissible only where the scientific research is undertaken under a programme approved by the prescribed authority having regard to the social, economic and indu trial needs of India. Similar deduction will also be available in respect of expenditure incurred on sponsored research within the three years immediately preceding the commencement of the business.

Clause 6 of the bill aims at amending section 35B of the Income Tax Act relating to export markets development allowance. Under the amendment, the wei[illegible] in respect of export [illegible] development allowance [illegible] case of domestic [illegible] in which the public [illegible] tantially interested [illegible] increased from one-third [illegible] the amount of the qu[illegible] expenditure to one [illegible] ha'f times the amount [illegible] expenditure incurred [illegible] February 28, 1973. [illegible] amendment will take [illegible] from April 1, 1973.

Clause 7 of the bill [illegible] to amend section 40A [illegible] Income Tax Act under [illegible] expenses or payments [illegible] deductible in certain ci[illegible] tances. These am[illegible] are consequential to [illegible] amendment of section 35 [illegible] the Income Tax Act under [illegible] clause (a) of clause 5 [illegible] bill.

Clause 8 of the bill [illegible] to amend section 80A [illegible] Income Tax Act relating [illegible] deductions to be made [illegible] computing total income. [illegible] amendment is consequential [illegible] the insertion of a new section 80HH in the Income Tax Act under clause 9 of the bill.

Clause 9 of the bill seeks to insert a new section (80HH) in the Income Tax Act. Under this new section, a tax-payer deriving profits and gains from a new industrial undertaking or the business of a hotel set up in any specified backward area will be entitled to a deduction, in the computation of his total income, in an amount equal to 20 per cent of such profits and gains. The back-ground area specified in the eighth schedule proposed to be inserted in the Income Tax Act under clause 15 of the bill. Where the industrial undertaking commences production or the hotel starts funct[illegible] after March 31, the de[illegible] will be allowed for each of [illegible] assessment years beginning [illegible] the assessment year re[illegible] the previous year in wh[illegible] industrial undertaking [illegible] mences production or [illegible] starts functioning. [illegible] where the industrial [illegible] ing has begun to manuf[illegible] or produce articles, [illegible] hotel has started func[illegible] before April 1, 1973 [illegible] December 31, 1970, to [illegible]

sessment years for which
eduction is to be allowed
e reduced by the number
sessment years that have
ed before April 1, 1974.
deduction will be allowed
if the industrial undertak-
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undertaking or the hotel
transferred to any other
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either case not recorded
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undertaking or the hotel
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gains of the industrial
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purposes of determining
eduction admissible under
new section, will be com-
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made at the maket value
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er to compute the profits
gains of the industrial
ertaking or the hotel on
other reasonable basis.
ere because of close con-
ion between the tax-payer
ying on the business of
industrial undertaking or
notel, the income tax offi-
will have the power to
rmine the reasonable profits
could be attributed to the
ertaking or the business
the hotel for the purposes
ne deduction under the new
ion. This amendment will
effect from April 1, 1974.

Clause 10 of the bill seeks
amend section 80J of the
ome Tax Act relating to
uction in respect of profits
gains from newly esta-
hed industrial undertak-
s, etc. This amendment is
sequential to the insertion
a new section 80HH in the
ome Tax Act under clause
f the bill.

Clause 11 of the bill seeks
amend section 80P of the
ome Tax Act relating to
luction in respect of income
co-operative societies. This
endment is consequential
the insertion of a new sec-
n 80HH in the Income Tax
t under clause 9 of the bill.

Clause 12 of the bill seeks to amend section 80QQ of the Income Tax Act relating to deduction in respect of profits and gains from the business of publications of books. This amendment is consequential to the insertion of a new section 80HH in the Income-Tax under clause 9 of the bill.

Clause 13 seeks to substitute a new clause for the existing clause (i) of sub-section (1) of section 271 of the Income Tax Act (relating to penalty for failure to furnish returns respectively from April 1, 1962, i.e. the date from which the Income Tax Act came into force. The effect of this amendment will be that penalty for failure to furnish the return of income or for failure to furnish it within the time allowed or in the manner required will be calculated with reference to the amout of income tax chargeable on the total income as reduced by any sum deducted at source or paid in advance under the provisions of Chapter XVII-B or XVII-C of the Income Tax Act.

Clause 14 seeks to insert a new sub-section (4) in section 295 of the Income Tax Act relating to the powers of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to give retrospective effect to any of the rules which do not prejudicially affect the interests of any tax-payer. This amendment will take effect from April 1, 1973.

Clauses 15 and 16 of the bill seek to insert in the Income Tax Act two new schedules: one listing the backward areas for the purposes of new section 80 HH proposed to be inserted in the Income Tax Act under clause 9 of the Bill, and the other specifying the articles or things for the purposes of new clause (vi) proposed to be inserted in sub-section (1) of section 32 of the Income-Tax Act under clause 3 of the bill.

Clause 17 of the bill seeks to substitute a new sub-section for the existing sub-section (3) of section 46 of the Wealth Tax Act relating to the power of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to give retrospective effect to any of the rules as do prejudicially affect the interests of any taxpayer. This amendment will take effect from April 1, 1973.

Clause 18 seeks to amend section 17 of Gift Act (relating to penalty for failure to furnish returns, to comply with notices and concealment of gifts etc.) retrospectively from April 1, 1963. The effect of this amendment will be that penalty for failure to furnish return of gifts for failure to furnish it within the time allowed or in the manner required will be calculated with reference to amount of gift tax chargeable on the taxable gifts as reduced by the amount which credit is allowed under section 18 of the Gift Tax Act.

Clause 19 seeks to substitute a new sub-section for the existing sub-section (3) of section 45 of the Gift Tax Act relating to the power of the Central Board of Direct Taxes to make rules for carrying out the purposes of that Act. Under the amendment, the Board will be empowered to give

retrospective effect to any of the rules as do not prejudicially affect the interests of any tax-payer This amendment will take effect from 1st April, 1973.

Clause 20 seeks to amend section 9 of the Companies (Profits) Surtax Act (relating to penalties) retrospectively from the commencement of that Act. The effect of this amendment will be that penalty for failure to furnish return of chargeable profits will be calculated with reference to the surtax chargeable under that Act without taking into account any surtax paid on the basis of provisional assessment or otherwise.

Clause 21 seeks to insert a new sub-section (2A) in section 25 of the Companies (Profits) Surtax Act relating to power of the Central Board of Direct Taxes to make rules for carrying out the purpose of that Act. Under the amendment, the Board will be empowered to give retrospective effect to any of the rules as do not prejudicially affect the interests of any taxpayer. This amendment will take effect from April 1, 1973.

Clause 22 seeks to provide that the amendment relating to clause (i) of sub-section (1) of section 271 of the Income Tax Act under clause 13 of the bill will not apply in the case of a tax-payer in whose case the Supreme Court has, on an appeal in respect of an order imposing penalty under the existing clause (i) of the said sub-section (1) for any particlar assessment year, held that such penalty is to be calculated with reference to the income-tax payable by him in accordance with the notice of demand under section 156 of the Income Tax Act will apply only in relation to the assessment year in respect of which a decision to this effect has been given by the Supreme Court prior to the introduction of the bill in the Lok Sabha.

Clause 23 seeks to provide that for the purpose of clause (i) of sub-section 18 of the Wealth Tax Act, as it stood during the period April 1, 1965 to March 31, 1969, the words "the tax" will be deemed always to have effect as if they mean the wealth tax chargeable under the provisions of that Act. The effect of this provision will be that, in cases covered by the provision as it stood during the aforesaid period, the penalty for failure to furnish the return or for failure to furnish the return or for failure to furnish it within the time allowed and in the manner required, will be levied with reference to the amount of wealth tax chargeable on the net wealth without taking into acount any amount paid towards self-assessment or provisional assessment or otherwise.

Clause 24 of the bill seeks to provide that for the purposes of clause (i) of sub-section (1) of section 17 of the Gift Tax, as it stood before April 1, 1963, the words "such tax" will be deemed always to have effect as if they mean the tax chargeable under the provisions of that Act. The effect of this provision will be that in cases covered by the provision as it stood before April 1, 1963 the penalty for failure to furnish the return or for failure to furnish it within the time allowed and in the manner required, will be levied with reference to the amount of gift tax chargeable on the taxable gifts as reduced by the amount for which credit is allowed under section 18 of the Gift Tax Act.

List of the Backward Areas to which initial 20 per cent Depreciation Allowance provision is applicable.

Andhra Pradesh: The districts of Anantpuri Chittoor, Cuddapah, Karimnagar, Khammam, Kurnool, Mahbubnagar, Medak, Nalgonda, Nellore, Nizamabad, Ongole, Srikakulam and Warangal.

Assam: The districts of Cachar, Goalpara, Kamrup, Lakhimpur, Mikir Hills, North Cachar Hills and Nowgong.

Bihar: The districts of Bhagalpur, Champaran, Darbhanga, Muzaffarpur, Palamau, Purnea, Saharsa, Santal Parganas and Saran.

Gujarat: The districts of Amreli, Banaskantha, Bharuch, Bhavnagar, Junagadh, Kutch, Mahsana, Panch Mahals, Sabarkantha and Surendarnagar.

Haryana: The districts of Hissar, Jind and Mahendragarh.

Himachal Pradesh: The districts of Chamba, Kangra, Kinnaur, Kulu and Lahul and Spiti.

Jammu and Kashmir: The districts of Anantnag, Baramula, Doda, Jammu, Kathua, Ladakh, Punch, Rajauri, Srinagar and Udhampur.

Kerala: The districts of Alleppey, Cannanore, Malapuram, Trichur and Trivandrum.

Madhya Pradesh: The districtes of Balaghat, Bastar, Betul, Bilaspur, Bhind, Chhatarpur, Chhindwara, Damoh, Datia, Dhar, Dewas, Guna, Hoshangabad, Jhabua, Khargone, Mandla, Mandsaur, Morena, Narsimhapur, Panna, Raigarh, Raipur, Rajgarh, Raisen, Ratlam. Rewa, Sagar, Sehore, Seoni, Shajapur, Shivpuri, Sidhi, Surguja, Tikkamgarh and Vidisha.

Maharashtra: The districts of Aurangabad, Bhandara, Chandrapur, Dhulia, Jalgaon, Kolaba, Nanded, Osmanabad, Parbhani, Ratnagiri and Yeotmal.

Manipur: The whole of the state.

Meghalaya: The districts of Garo Hills and United Khasi and Jaintia Hills.

Mysore: The districts of Belgaum, Bidar, Bijapur, Dharwar, Gulbarga, Hassan, Mysore, North Kanara, Raichur, South Kanara and Tumkur.

Nagaland: The whole of the state.

Orissa: The d[illegible] Balasore, Bolangir, D[illegible] nal, Kalahandi, [illegible] Koraput, Mayurb[illegible] Phulbani.

Punjab: The dist[illegible] Bhatinda, Gurdaspur, H[illegible] pur and Sangrur.

Rajasthan: The [illegible] of Alwar, Banswara, B[illegible] Bhilwara, Churu, Du[illegible] Jaisalmer, Jalor, J[illegible] Jhalawar, Nagaur, S[illegible] Sirohi, Tonk and Udai[illegible]

Tamil Nadu: The di[illegible] Dharmapuri, Kanyak[illegible] Madurai, North Arcot, Ra[illegible] nathapuram, South A[illegible] Thanjavur and Tiruchira[illegible]

Tripura: The whole of t[illegible] state.

Uttar Pradesh: The distr[illegible] of Almora, Azamgarh, Bada[illegible] Baharaich, Ballia, Ban[illegible] Bara Banki, Basti, Bu[illegible] shahr, Chamoli, Deoria. E[illegible] Etawah, Faizabad, Farruk[illegible] bad, Fatehpur, Garhw[illegible] Ghazipur, Gonda, Hamirp[illegible] Hardoi, Jalaun, Jaunpur, Jh[illegible] Mainpuri, Mathura, Morad[illegible] bad, Pratapgarh, Pilibh[illegible] Pithoragarh, Sultanpur, R[illegible] Bareili. Shahjahanpur, Te[illegible] Garhwal Unnao and Utta[illegible] kashi.

West Bengal: The di[illegible] tricts of Bankura, Birbhu[illegible] Burdwan, Cooch Behar, Da[illegible] jeeling, Hooghly, Jalpaigu[illegible] Malda, Midnapore, Murs[illegible] bad, Nadia, Purulia and W[illegible] Dinajpur.

Andaman and Nicobar I[illegible] lands: The whole of t[illegible] union territory.

Arunachal Pradesh T[illegible] whole of the union territory.

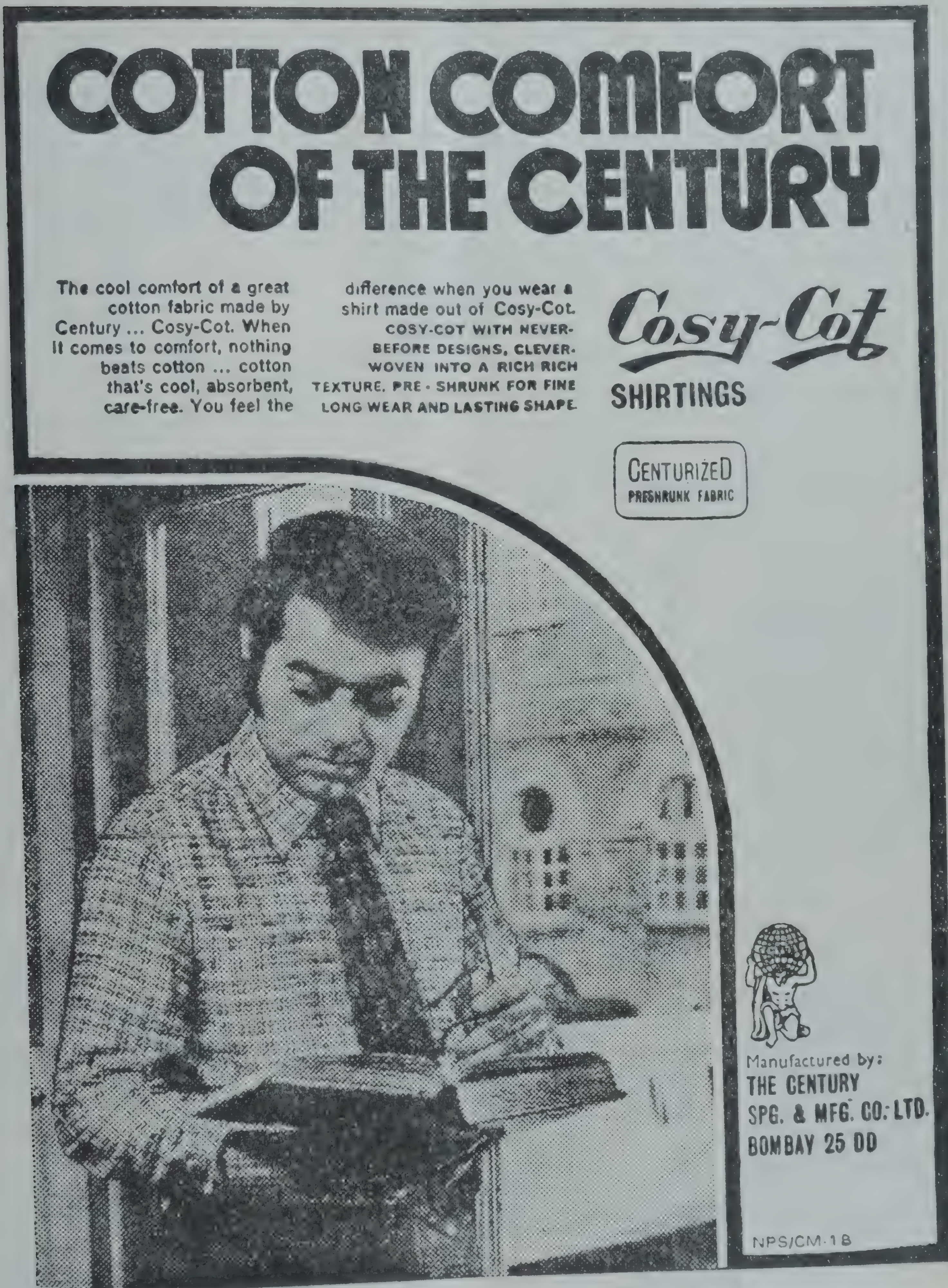
Dadra and Nagar Hav[illegible] The whole of the union te[illegible] tory.

Goa, Daman and Diu T[illegible] whole of the union terr[illegible]

Laccadive, Minicoy [illegible] Amindivi Islands: The [illegible] of the union territory.

Mizoram: The [illegible] the union territory.

Pondicherry: The [illegible] of the union territory.



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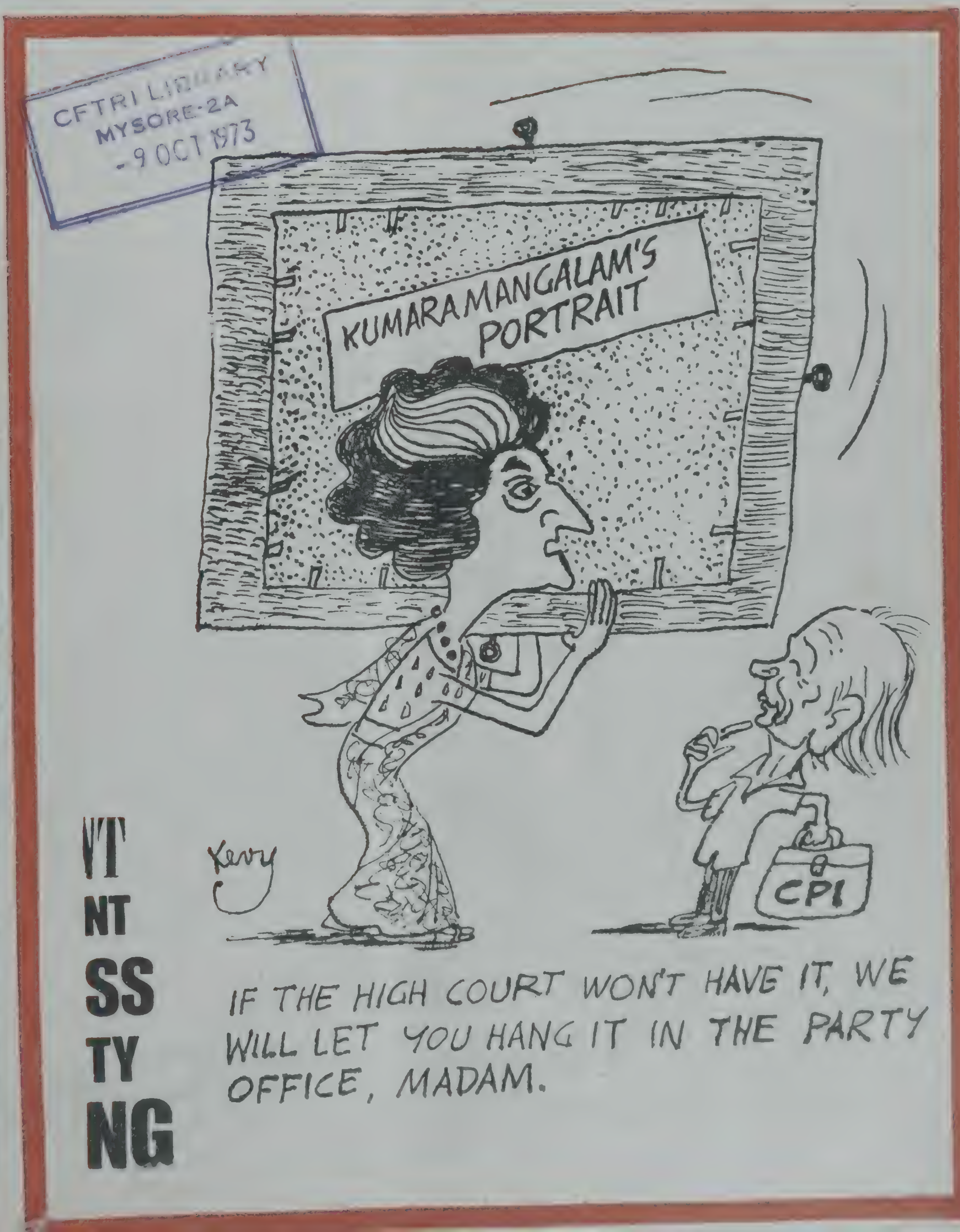

linisters at large

It is true that nothing moves in the government of India except by the grace of Mrs Gandhi. But this is only one part of the truth. The other part seems to be that sundry ministers could get away ılmost any act of irresponsibility. Consider, for instance, the curious case of jodhya Textile Mills, which is being run by the National Textile Corporation half of the central government. This was one of the five textile mills in Delhi were affected by a textile workers' strike some time ago. When this strike was l, it was agreed that the workers of the five textile mills would be paid Rs 200 ıs an advance which was to be recovered subsequently in 20 equal instalments. ırrangement was intended to relieve the hardship experienced by the workers o loss of earnings during the period of the strike.

For reasons which are not very clear, the management of Ajodhya Textile Mills one beyond this agreement and decided on its own to pay to its workers full or the strike period. It has been suspected that party politics has had not a to do with this impressive act of generosity and it is also believed that the ter for Labour in the central government, Mr Raghunatha Reddy, has been the mover in the affair. It may not perhaps matter very much to Mr Reddy the taxpayer ultimately foots the bill for expenditures of this nature incurred on dustrial enterprise under government management. But the other four textile in Delhi certainly have a very direct cause for worry; they have now been coned with the demand from the unions that they too should pay their employees s for the strike period although the strike itself was an illegal one.

When the ministers in the central government are so prone to act in a manner n disregards the possible adverse consequences of their acts for industrial producit is not surprising that state governments too are extremely casual in their oach to the proper functioning of industry. In Madhya Pradesh, for example, supply of bamboo from government forests to a paper mill has been made a ly political issue. The result is that this industrial undertaking has been arbitrariprived of access to assured supplies of its main raw material. Its complaint that nnot maintain production or run its plant smoothly on a stable schedule is being tered by tendentious official statistics purporting to show that the mill has adee bamboo in stock. Paper has been recognized as a priority industry by the ral government and it is its declared policy to step up production in this stry both by assisting existing plants to utilize their capacity fully and encouraging nabling industrialists to invest substantially in the expansion of capacity through setting up of additional manufacturing facilities including entirely new units. however has not come in the way of the government of Madhya Pradesh delibey setting out to disorganize the normal working of a major paper mill simply use the chief minister may not be able to resist certain political pressures.

After this it cannot be surprising at all that the state government in Kerala does seem to be over-keen on ensuring that industrial enterprises in the state go about r normal business without let or hindrance. For quite some time now a rayon le pulp plant in Kozhikode district has been prevented from functioning by the kers' agitation over the perennial issue of the quantum of bonus. Although the ıstrial undertaking concerned is supposed to have bought industrial peace through ur-year agreement, it is in fact being subjected to a war of attrition from year to r. It has apparently not occurred to the state government that what is one of the or industrial concerns in Kerala cannot be periodically put out of action without employees directly and the economy of the state more generally feeling the pinch lue course. New Delhi too does not seem to be particularly worried over this ıton loss of production of an important industrial raw material, namely rayon de pulp. Right now there is a shortage of staple fibre in the country and this has nittedly hurt employment and earnings in the decentralized weaving sector, the erests of which are supposed to be dear to the hearts of the central and state ernments. Even so no authority, either in Trivandrum or New Delhi, seems to ık that it is under any obligation at all to try and prevent this wilful sabotage of ential industrial production.

That the fortunes of industries, however important they may be to the economy the country, have about the lowest priority in the governmental scheme of things of course be abundantly illustrated with one case history after another. Thus, country has been witness to the spectacle of a truly basic industry such as the minium industry being put on short rations with regard to the supply of electricity an extent far greater than is warranted by the objective circumstances of national

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ECONOMIST

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or regional shortfall in power generation. There was the notorious case of the government of Tamil Nadu completely cutting off electricity supply to the plant of the Madras Aluminium Company on top of a threat to take over the management of the company itself. Nearer home, the Hindustan Aluminium plant at Renukoot in Uttar Pradesh has been regularly victimized by arbitrary violations by the state government of its contractual obligations for providing electricity to this undertaking.

Apart from these specific acts of political or semi-political vindictiveness, there has also been a general failure on the part of the central and the concerned state governments taken together to take a responsible view of the bare requirements of the aluminium industry in the country and evolve a rational scheme of power supply. Aluminium has become a mother-metal for a wide range of industries of greater or less significance to economic activity in the country and this is a metal which this country can produce in abundance provided there is proper planning of this industry's power requirements. Recently, the minister for Heavy Industry, who is also holding additional charge of the portfolio of Steel and Mines, had himself said that the country could not afford to let the aluminium industry limp along. It follows surely that he, as the responsible minister, ought to take practical steps here and now to resolve the problems faced by this industry at the highest political level of consultations with the state governments concerned.

Finally we may refer to the case of the automobile industry. Whether cars are a luxury or not from the point of view of the individual, it is an indisputable fact that the automobile industry itself is of the highest strategic importance both from the point of view of general transport and from the angle of the special needs of the Defence services. It is therefore the merest common sense that the valuable manufacturing facilities in this industry should be protected and fostered by sound economic policies. What is happening however is that an utterly unreasonable and unnecessary policy of controlling the price of cars has impoverished the industry over a period and drained it of development resources. Price revisions for the industry have invariably been preceded by wearisome dogfights, and although material and labour costs have been rising steadily, every price revision that the government could bring itself round to agree to has been given only as a half-hearted favour.

One of the most unfortunate aspects of the government's policy for the automobile industry is that, in fixing prices, scales of production are assumed which are in fact not being achieved for reasons frequently outside the control of the managements. The result is that increases in car prices, such as they have been, have not even been adequate for compensating manufacturers for increases in wage bills or the financial burden of statutory obligations such as provision for gratuity. The government is stated to be keen on the output of automobiles being doubled. It is not clear how far this laudable desire is related to the official interest in the Maruti project or how far to the government's recognition of the need for the intensive utilization of existing manufacturing facilities, but it ought to be apparent enough that there could be no healthy expansion of the industry until and unless government policy turns over a new leaf and effectively assists manufacturers in generating or attracting sufficient investible resources for its further growth.

Power transmission programmes

THE PLANNED programmes to augment power generation undoubtedly have been trailing far behind their schedules, with the result that, according to the latest estimates, the installed generation capacity in the country at the end of the current financial year may not exceed 19.2 million KWs, as against the fourth Plan target of slightly over 23 million KWs. But the serious power crisis that hit the country after September last year was caused more by the severe drought which affected generation of hydro-electricity. The crisis could have been mitigated to a considerable extent had the distribution and transmission network not been deficient. Despite some efforts having been made to accelerate the construction of inter-state grids, with the ultimate objective of having an all-India grid, the transfer of power from surplus states to the deficit areas could not be effected to the full extent. The inadequacies of the transmission and distribution system, especially in western India, also led to frequent trippings at the Tarapore nuclear power station. All this underlines the need for a rapid expansion and strengthening of the transmission and distribution lines.

It is encouraging to note that the union government and the Planning Commission have realised that, following global standards, the investment on power transmission lines has to be almost equal to that on building up generation capacity. The fifth Plan allocations for the power development programme take cognizance of this. Thus, whereas due to reduced allocation, the installed generation capacity by the close of 1978-79 is proposed to be raised to 36 million KWs from about 19.2 million KWs at the end of the current year (after scrapping one million KWs obsolete capacity), as against the original proposal of the union ministry of Irrigation and Power to raise it to approximately 4[illegible] million KWs, the investment on strengthening and extending the transmission system is not proposed to be curtailed any significantly from the figure originally contemplated.

The effective implementation of the power transmission and distribution schemes during the fifth Plan period, however, will depend to a large extent on the availability of such essential materials as steel and aluminium—particularly the latter. It is estimated by the Central Water and Power Commission that the addition of nearly 18 million KWs to the generating capacity would require approximately 900,000 tonnes of aluminium. If the overall development programme of aluminium industry during the fifth Plan period, which envisages the raising of capacity to 4,33,000 tonnes, is accomplished, there may not be any shortage of aluminium for the manufacture of power conductors and cables. What, of course, might be needed to be done would be the stepping up of the output of electrical grade aluminium to 60 per cent of the overall production from 50 per cent at present. It is estimated that the current expansion programme of the aluminium industry would help in raising the manufacturing capacity to 430,000 tonnes. This may yield a production of nearly 400,000 tonnes on reasonable utilisation. If the past experience, before the period of power shortage, is any guide, the output may even approximate the installed capacity; for fairly long spells, the two premier aluminium manufacturing companies in the country—Hindustan Aluminium and Indian Aluminium—have been turning out output even to near-full capacity.

Aluminium supplies from indigenous sources, thus, may not pose any problem, provided, of course, the fifth Plan expansion programmes of the industry are implemented according to the stipulated schedules and no unnecessary hindrances are put in the utilization of capacity. Not to speak of the power

...ges of last year, which have affec- ...he production of aluminium, it is ...table that the implementation of ...ublic sector programmes of alumi- ... manufacture has been lagging ap- ...ably behind schedule. Hindustan ...inium, too, is not able to commis- ... 15,000 tonnes capacity—out of ...) tonnes expansion programme to ... the capacity of the company to ...00 tonnes—which was completed ... 13 months ago. The reason for the ...ommissioning of this capacity is ...the UP State Electricity Board has ...ed to supply power even though a ...ic commitment had been made by ... make available electricity for the ... 40,000 tonnes expansion pro- ...me till the company was able to ...ent the capacity of its captive power ...n. The implementation of the ba- ... 25,000 tonnes capacity under the ...e expansion programme is held up ...use of non-clearance by the union ...rnment of some essential licences.

...luminium undoubtedly is an indus- ...of prime importance for the country ...esent because of the paucity of other ...ferrous metals, particularly copper. ...herefore, cannot be made a plaything ...oliticians. If imports are effected to ...t the growing domestic demand, as is ...g done currently, they will involve an ...dable strain on foreign exchange re- ...ces, especially at a time when the ...ort bill can be expected to mount ...dly as a result of the dramatic chan- ...taking place on the oil front.

The fifth Plan programmes of streng- ...ning and expanding the power trans- ...sion and distribution system also call ... an expeditious study of the conduc- ... manufacturing capacity in the coun- ... on a realistic basis, as there are a ...nber of small-scale units whose exact ...acity cannot be firmly established. ...rther, the small-scale sector does not ...ve sufficient facilities for the conver- ...n of primary metal into wire. It, there- ...e, will have to be supplied wire rods ...ead of primary metal. All this neces- ...tes that the wire drawing facilities of ... bigger manufacturers, particularly ...se which are also producing primary ...tal, are allowed to be augmented to ... requisite extent. It may also be stres- ...l in this regard that in November last ...ar, eight new units with a total capa- ...y of 48,000 tonnes were registered, ...th the Directorate-General of Techni- ...l Development on the condition that ...ey would install indigenous rod making ...achines similar to properzi mill. Their ...ogress has left much to be desired. ...nother nine units have since been re- ...stered for this purpose with a total ...pacity of 54,000 tonnes. But this capa- ...ty too may not materialise in the near future as the indigenous rod making machines of dependable quality are not yet being made in the country on a commercial scale.

Presently, the supply of wire rods is unsatisfactory. The position has got aggravated by the cutback effected by the union government in the production of two wire-drawing machines of Hindustan Aluminium which, working to full capacity, were producing to the extent of 22,000 tonnes. The indigenously developed machine of Hindustan Aluminium to produce properzi rods also lying idle as the fabrication capacity of the company has not been allowed to be expanded. Pertinent attention to this fact was drawn by the national seminar on the role of conductors in power distribution which was organised here recently by the Association of Cable and Conductor Manufacturers. With a view to easing the situation, the seminar rightly pleaded for making full use of the development efforts of the Hindustan Aluminium in national interest. It is high time that non-economic considerations were held in check so that production is not unnecessarily effected.

The conductor industry is also feeling difficulties in various other fields. These include the high prices and inadequate supplies of raw materials, lack of timely intimation to the industry of the development programmes of state electricity boards, ad hoc suspension and some time even cancellation of contracts by electricity boards, the payments for the materials supplied to electricity boards not being made within the stipulated periods as per the terms of contracts, non-standardisation of contract form on an all-India basis, etc. Surely, all these difficulties are such which can be removed by thoughtful action. Most of them can be removed through better co-ordination between the conductor industry and the state electricity boards.

It is gratifying to note that conductor industry is fully conscious of going in for an ambitious research and development effort. The objectives which the industry has in view in this regard include improving the quality of its products, development of alloy conductors and self-damping conductors, increasing of the ratio of aluminium to steel in ACSR conductors and use of aluminised steel core wire in place of galvanised steel wire. The development of alloy conductors and self-damping conductors, it is hoped, will considerably reduce the transmission losses which at present, at least in some states, are much above the global average. The decision of the government to go in for high voltage transmission lines in an increasing measure is also welcome; this will help in reducing trippings at power projects.

Profligate New Delhi

The Reserve Bank's annual report for 1972-73 draws pointed attention to the deterioration in the budgetary position of the central and state governments, the former particularly, in 1972-73 in spite of a buoyancy of tax revenues, larger tax receipts and better generation of internal resources of undertakings in the public sector. It has now been confirmed that the combined deficits of the central and state governments for the last financial year will be Rs 868 crores against the earlier estimate of Rs 701 crores (revised) and the budget estimate of Rs 231 crores. This deficit excludes the notional increase in the floating debt by Rs 421 crores which came about as a result of the adjustments in the overdrafts to the state governments on May 1, 1972.

It is noteworthy that the deterioration in the budgetary position is on account of the centre because of a higher level of defence expenditure, grant of interim relief to government employees, massive assistance to the states and larger Plan outlays. Thus against a budget estimate of an overall deficit (of the centre) of Rs 251 crores in 1972-73 there was an increase in the revised estimate to Rs 550 crores which has later turned out to be much higher at Rs 882 crores. The bulge in the uncovered deficit in the latest reckoning is obviously due to an attempt at rectification of the gaps of the state governments. For, in the revised estimates the combined deficit was placed at Rs 701 crores against the centre's share of Rs 550 crores, indicating that the states had an overall deficit of Rs 151 crores. The latest estimates however suggest that the state governments had an overall surplus of Rs 14 crores while the combined deficit was Rs 868 crores.

There has thus been a swelling of the deficit of the centre alone by Rs 332 crores which is accounted for to the extent of Rs 165 crores representing larger aid to the states. Even allowing for this technical increase in the deficit which would have otherwise been on states account there has been an increase in expenditure of the central government itself by Rs 167 crores over the revised estimates. This large overrun could not have come about in an unexpected manner. The union Finance ministry was

perhaps anxious to avoid the impression that massive deficit financing had taken place even with larger revenue and capital receipts, and the central and state governments had indulged in a spending spree.

An analysis of the budgetary trends of the central and state governments reveals that there was proper accounting only in 1969-70 when there was an overall surplus of Rs 13 crores. In 1970-71 an overall deficit of Rs Rs 426 crores emerged and in 1971-72 Rs 808 crores. The big gap in 1971-72 was understandable as heavy expenditure had to be incurred on maintaining refugees from former East Bengal and on the prosecution of the Indo-Pakistan war. As explained earlier the increase in the combined deficit to Rs 701 crores in the revised estimates for 1972-73 and further to Rs 868 crores has taken place due to expenditure at a higher level.

The final position will be clear only when the data for 1972-73 became available early next year. However, from what the Reserve Bank report has indicated, caution has not been exercised in handling resources for Plan and non-Plan purposes at any stage. Since the aggregate deficit financing in three years amounts to over Rs 2000 crores it has become necessary to find how the resources will apply in different directions in 1972-73 particularly and what will be the advantage accruing to the economy out of larger Plan outlays in the central and state sectors.

The Reserve Bank authorities have been naturally alarmed over the unbridled creation of currency in the past three years and the big increase in money supply with the public which has resulted in an accentuation of inflationary pressures. While it has been contended by the central and state governments that a certain amount of overrun in expenditure was inevitable when massive operations had to be carried out for rendering relief to the afflicted in the flood and drought affected areas, it cannot be denied that the injection of funds through created money, when there was increasing monetisation of the economy and an acute shortage of consumer goods, has been responsible for the skyrocketting of prices.

The monetary authorities are naturally concerned that there should not be a repetition of the happenings of the past year and the overall deficit should be confined to reasonable limits in 1973-74 in spite of the compelling need to spend larger amounts on food subsidies and on increasing the emoluments of government employees when implementing the recommendations of the Pay Commission. It is probably expected that the situation can be managed by pruning Plan and other outlays to the extent of Rs 400 crores and by increasing borrowing through open market loans and an intensification of the small savings campaign.

No precise estimate can be made of the additional liability on account of food subsidies and the implementation of the recommendations of the Pay Commission. The extra expenditure will however be of large dimensions as costly imported foodgrains will have to be distributed through fair price shops in the coming months. It is also probable that there will be an increase in procurement prices for wheat and other cereals without any corresponding upward adjustment in issue prices. The distribution of imported foodgrains of nearly three million tonnes may call for an extra subsidy of Rs 125 crores as it is improbable that there will be any increase in issue prices in the next few months. There may also have to be heavier subsidies on sales of indigenous foodgrains if higher procurement prices were paid, as they are likely.

As regards the Pay Commission's recommendations, the latest developments suggest that the additional bill may be easily Rs 200 crores if not Rs 250 crores as a more liberal approach is being adopted by the government in regard to the fixation of need based wages and amenities to the lower paid employees. These two heads alone may therefore result in additional expenditure of Rs 400 crores which probably is expected to be offset by a corresponding pruning in expenditure in other directions. There will nevertheless be an overrun of Rs 200 crores in other directions.

The recommendations of the Finance Commission may also have a complicating effect as these are likely to be made known in the next two months. Though they will take effect from April 1, 1974, the states may well ask the centre for relief in respect of the dearness allowances and salaries that have to be paid to their employees in the current year. As already there will be an overall deficit of Rs 280 crores in the state budgets on the basis of the preliminary estimates and the centre also may be obliged to enlarge its deficit even with larger revenues and borrowings the current year might witness again sizable deficit financing. The Reserve Bank may succeed in camouflaging the deficit as it will have the advantage of temporary investments in treasury bills or other instruments out of the immobilised cash balances of over Rs 450 crores consequent on the revision in the cash reserve ratio of scheduled commercial banks to seven per cent from five per cent.

It may not thus be surprising if an attempt is made while presenting the revised estimates for 1973-74 in February next year to indicate that the centre's finances have considerably improved. In reality however a new peak would have been established in respect of Plan and non-Plan spending by the centre and states and the increase in the money supply will still be sizeable. The adverse effects of these developments can be contained only if a determined effort was made to boost industrial production. Luckily there are prospects of higher production of food and cash crops thanks to a good south-west monsoon.

Eastern Economist 30 Years Ago

OCTOBER 1, 1943

Recently a Press report has been cabled out to this country of an article by Lord Keynes in the Economic Journal bearing on the problem of stabilizing monetary disequilibrium. From the brief report available, it is not possible to discern the details of his arguments and it may be that the general distribution of emphasis in his point of view has not remained undistorted in the process of transmission of the summary of the article by the news agency. It may not, therefore, be possible to do full justice to his article until the copy of the journal is available in this country. Nevertheless, he raises certain general considerations, an understanding of which is vital for a proper assessment of the value of any international currency plans, especially to backward countries like ourselves. It is necessary for us to be sure that we are not carried away by the mere enchantment of words, but pause to analyse the currency plans closely and mainly in the context of how far they actually allow or help us to improve our standard of living at a rapid rate. There are certain fine-sounding phrases like "monetary equilibrium" or "international cooperation" which surround themselves with the implicit aura of automatic approbation. But, for all that, if we find that the contemplated scheme of monetary equilibrium of international cooperation is incompatible with rapid economic development, especially in backward countries like ourselves, we have no alternative but to reject it and to carve out our economic destiny as best as we can by independent efforts by ourselves.

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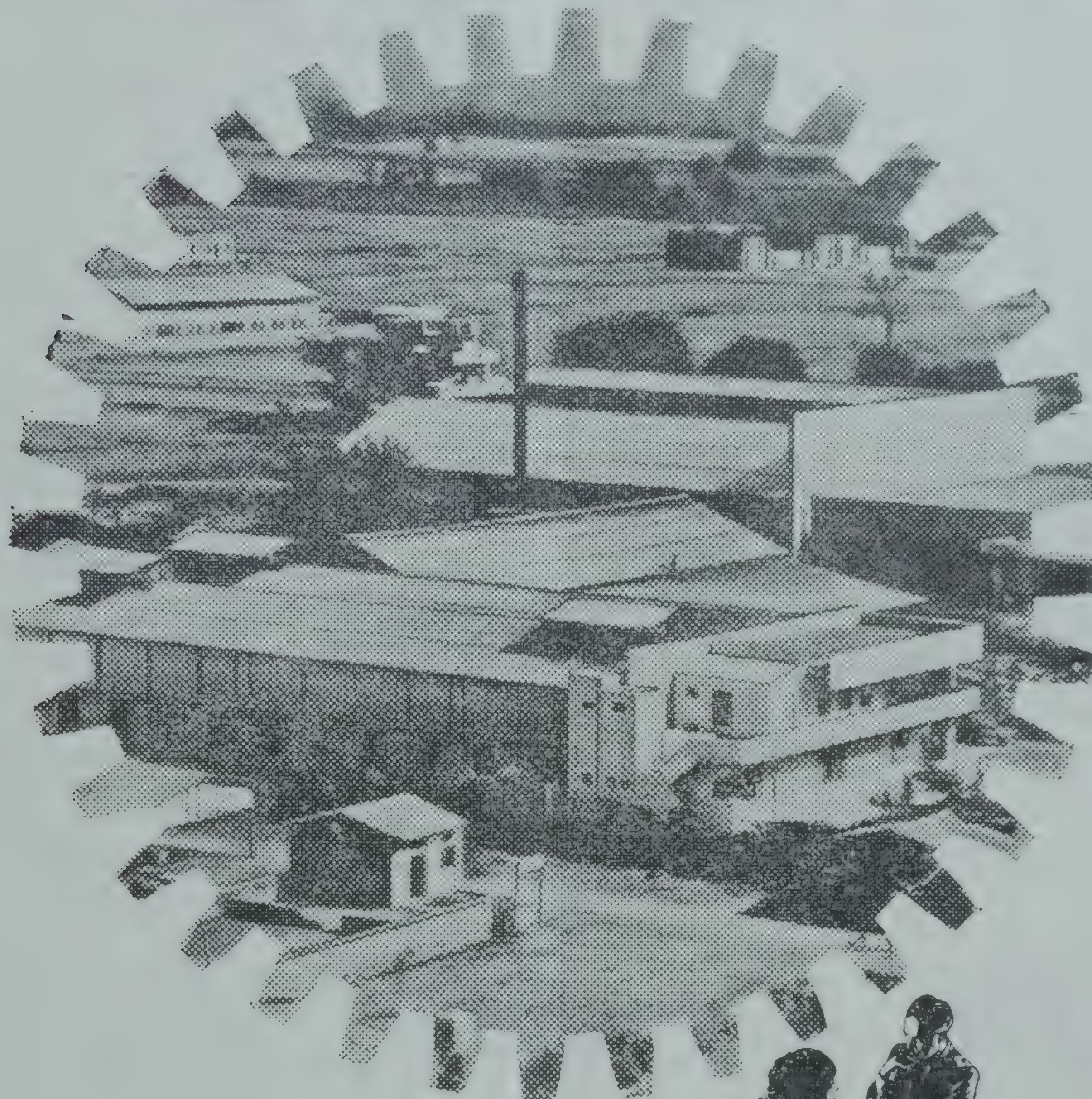

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Tokyo breaks the ice

V Balasubramanian

THERE MUST be something in the air of Tokyo which inclines politicians to be more practical or bureaucrats to be less unbusiness-like. Hence it is that the philosophical conundrum about the hen and the egg has been answered in the only way that there is—by declaring that both should have arrived more or less simultaneously. I am referring of course to the agreement, which was reached at the ministrial meeting of the General Agreement on Tariffs and Trade held in the capital of Japan earlier this month on the need for international trade liberalization and monetary reform being talked over and negotiated together. It was feared at one time that, with the US government being concerned more about trade liberalization than about monetary reform and the European Economic Community less interested in debating its farm policies with the Americans than in discussing with them the restoration of the convertibility of the dollar, Tokyo might be forced to witness an unproductive wrangle over priorities. Fortunately, each side apparently recognized in time the strength of feeling on the other side. There was therefore no real difficulty in the ministerial meeting accepting as a fact of life that international trade could combine progress with stability only if the elimination or reduction of tariff or non-tariff barriers went hand in hand with the working out of a durable equitable monetary system which could shield the world economy from the shocks and imbalances of frequent or violent fluctuations in the par values of currencies. The interdependence of the international monetary and trade systems has thus been formally recognized as one of the major guidelines for evolving practical schemes of international economic co-operation.

no confrontation

It was not only here that the Tokyo meeting succeeded in confounding the Jeremiahs. There were, for instance, many who were gleefully predicting that the US Secretary of the Treasury, Mr George Shultz, and his delegation just would not be able to avoid being locked up in deadly combat with their counterparts in the Common Market over the issue of the negotiability of tariff or non-tariff barriers to trade in farm products. However, thanks in part to the fact that the world had recently come to realize the importance of a high level of US agricultural production as a guarantor of essential supplies to international trade in farm products, it became fairly easy for the negotiators to drive home the point that the European Economic Community could not hope to keep its farm policies off the negotiating table. Although the latter did succeed in getting the US to agree that the negotiations should take account of the special characteristics and problems of the agricultural sector, it had to make the significant concession of agreeing to have the protectionist agricultural policies of some of its member countries committed to bargaining on tariff or non-tariff barriers.

new round

Thus, starting off hopefully, the Declaration of Ministers approved at Tokyo on September 14 decrees that a new round of trade negotiations within the framework of the GATT should be initiated in Geneva in the last week of October this year and concluded by the end of 1975. It is believed that sufficient political will was worked up among the participants at the ministerial meeting in Tokyo to make it possible for the forthcoming GATT talks at Geneva to settle down to purposeful bargaining. It is also believed that this round of negotiations could be more meaningful and fruitful than the Kennedy round of tariff cuts in the early sixties since there is now general agreement that international trade could be truly liberalized only if tariffs are eliminated or reduced all across the board and not merely selectively by negotiations being confined to the "high ones" only.

Equally important perhaps is the consensus which has developed in Tokyo in favour of the non-tariff barriers to trade being subjected to surgery as substantial as the tariff barriers were in the sixties. In all these matters the US government and its delegation in Tokyo seemed to have taken creditable initiatives. Although during the Kennedy round the United States had even refused to look at proposals for tariff reductions across the board, its representatives have now expressed their willingness to look at any and all proposals to see what their impacts will be so that bargaining could be done on a scientific basis. The various tariff-cutting proposals coming up in Geneva will be run through computers and their impacts studied and compared with other proposals. This should produce a common set of statistics so that the participants could at least agree on the mathematics and therefore proceed to bargain from an agreed statistical premise.

international discipline

The Tokyo Declaration directs that the negotiations should aim at reducing or eliminating non-tariff measures, or where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline. It also calls for an examination of the possibilities for the co-ordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique. Here is clearly an attempt to investigate how far the trade policies, as evolved by the Common Market countries, are compatible in letter and spirit with the multilateralism of the GATT and how they could be reformed where they are found to be inconsistent with the basic trade charter.

It is possible, however, that the willingness shown in Tokyo in favour of this more liberal approach on the part of the member countries to their obligations under the GATT was encouraged by the agreement which was reached among them on the desirability of safeguards being available against disruptive imports. Speaking on this problem the US Treasury Secretary, Mr George Shultz, explained that every country represented at the meeting had at one time or another found it necessary to limit imports temporarily in order to permit domestic industry enough time to adjust. Transitional protection of this kind may sometimes permit the achieving of efficiencies that would not be possible without it. If, as a result of the next round of elimination or reduction of tariff or non-

riff barriers, the occasion for :ch defensive action arises more fre- uently, as indeed it would, it is proper at· a mutually acceptable safeguard stem, which could function promptly id effectively and with minimum of ad- :rse impact on the economic interests of her nations, should be available to ountries affected by disruptive im- orts.

esounding endorsement

From the point of view of the deve- ping countries, again the Tokyo meet- g has falsified the prophets of gloom. or weeks before the meeting it was stat- l in various quarters with sneering epticism that, so far as the developing ountries were concerned, their position Tokyo would be even worse than that f a poor relation at a rich man's table id that they might in fact be treated to o more than a Barmecide's feast. Here gain the Declaration adopted at the inisterial meeting however goes farther ian any other previous international ocument in accepting in concrete terms ie right of developing countries to pre- :rential treatment in international eco- omic relations. The UNCTAD concept f a non-reciprocal generalized system of references has now received resounding ndorsement. The Declaration states iat the developed countries do not expect eciprocity for commitments made by hem in the negotiations to reduce or emove tariff and other barriers to the rade of developing countries. It also sks for special measures of assistance to eveloping countries in their efforts to icrease their export earnings or promote heir economic development and in this onnection calls for priority attention to e given to products or areas of interest o developing countries.

Currently the European Economic Community operates a generalized scheme of preferences (GSP) for he benefit of developing countries but its deficiencies have been a subject of much discussion. The United States, which has so far refrained from operating a GSP of its own, has however een saying that, if and when it does ubscribe to a GSP, that scheme would iave to be a really comprehensive and enuinely liberal one. The Tokyo Decla- ation has now prepared the stage not nly for the extension of the concept of he GSP but also its implementation in n improved and far more effective form.

It could be argued of course that if vords could create a new heaven and a new earth, the world we live in will not be the trouble place that it is. But it does not help to ignore the new spirit of constructive debate which has come to inform discussions of international eco- nomic relations in the wake of the dis- turbances in international monetary rela- tions. There is now a demonstrably new mood in the countries of the world that they should come together to settle the monetary or trade issues which divide them and there is also increasing apprecia- tion of the special problems of develop- ing countries which cannot continue to be ignored if a stable new relationship is to be established in the dealings among the nations of the world. It has to be borne in mind that despite the ups and downs which many national economies may have experienced or the world economy as a whole may have been affected by, international trade has more than doubled within the last ten years. Every country in the world, irrespective of its relative economic position, has developed or is developing a stake in the stability and further expansion of this trade and there can therefore be nothing surprising in natio- nal governments wanting to come toge- ther to discuss sincerely schemes of inter- national economic co-operation for inc- reasing or spreading liberally the fruits of a freer and faster flow of international trade.

constructive forces

The prime minister of India never wearies of saying that world forces have been conspiring against the success of her government's domestic economic policies. In reality the position may not be hope- less. There are also powerful constructive forces on the international scene which are working to our advantage provided we ourselves are in a position to take ad- vantage of them. For instance, it is practically certain that sooner or later most industrialized countries would be liberalizing their trade policies with refe- rence to the developing nations. This would be partly because of the GATT spirit but it would be even more so because it is becoming increasingly profitable for the industrialized countries to open their doors to imports from developing coun- ries since the former countries are coming up against the problems of manpower shortages or uneconomically high levels of wages in their domestic economies.

As a matter of fact, even today India is in a position to export more and more goods in larger and larger quantities to many industrialized countries provided the level

POINTS OF VIEW

of production and investment in its own i dustrial economy could go up correspon ingly. India does not have to continu to be a poor country. It has more an more of the world to trade with on a vantageous terms. What is coming in i way is its own legacy of wasted years. T Tokyo Declaration certainly cannot sol the problem of India or other developin countries, but it may help them to d this provided their governments are s rious and sensible about making the economies grow. It is good that Indi along with other developing countrie should now be raising its voice in inte national forums on issues such as linkin aid to SDRs or the induction of th UNCTAD spirit into international trad But its government will be heard wit respect only if it is demonstrably com mitted to helping the industry c this country as well as the rest of i economy grow as well and as fast as i considerable human and material resou ces would permit.

POINTS OF VIEW

Economic consequences of Mrs Gandhi

Asoka Mehta

Text of a note circulated recently among the members of his party by the president of Congress (O).

SPOKESMEN OF the union government blame three factors for the prevailing economic *malaise*. They are (i) burden of 10 million refugees from East Pakistan, (ii) cost of Indo-Pak war and its aftermath, and (iii) the drought. About deficit financing, the Finance minister made the following rhetorical statement in Parliament on July 23:

> "Well, what exactly is deficit financing? One has to find out what is deficit financing, and ultimately one has also to judge for what purpose deficit financing was resorted to..... As far as deficit financing is concerned, apart from increased defence expenditure, during the last six to eight months, practically every month we had to distribute nearly one million tonnes of foodgrains. It serves nearly 17 to 18 crores of people, and they belong to vulnerable section of society.... This distribution of food to the poor people also means deficit financing because there is an element of subsidy. Can you say that this deficit financing is unjustified? ..... When we provide purchasing power to the poor people so that they can meet their requirements, can you say that it is unjustified?..... I am not justifying deficit financing. Nobody likes it. But we cannot help it."

villain of the piece

Villain of the piece is the sentence, "when we provide purchasing power to the poor people so that they can meet their requirements, can you say that it (deficit financing) is unjustified? "If *garibi* could be *hatoed* by producing a flood of money, there would be no one poor in the world! Only economic ignorance can hide the severe demage done to the poor by such a strategy. I am further constrained to accuse the Finance minister of *suppressio veri* and *suggestio falsi*.

Refugees started pouring into India from May 1971. With the emergence of Bangladesh in January 1972, they started to return. Rs. 300 crores or so were spent on the refugees. Part of that amount was reimbursed through international sources. In 1947 and thereafter India had to *absorb* over 15 million refugees. Hundreds of crores had to be spent on their rehabilitation. No one, however, then argued that it could be a persistent bar to economic progresss.

Indo-Pak War

We do not know the financial cost of the Indo-Pak war. It is wrong to assert that a war, more so a victorious war, leaves economy in a shambles. Before me is the scholarly work of Eliyahu Kanovsky - *The Economic Impact of the Six Day War.* The Arab-Israeli War (1967) was as severe, short yet decisive as Indo-Pak War (1971). In Isreal, in 1967, GNP grew by 1.4 per cent, gross investment *fell* by 28 per cent, money supply increased by 20.3 per cent and cost of living rose by 1.6 per cent. In 1968, GNP went up 14.2 per cent, investments were up by 45 per cent, money supply increased by 19 per cent and cost of living rose by 2.1 per cent. Jordan provides a similar picture. Is government of India justified in making the war an alibi for its failures?

Both these pleas—about refugees and war—are not amenable to statistical verification. When we came to food subsidy and drought we are on firm ground. Public distribution of foodgrains was 8.8 million tonnes in 1970, 7.8 million tonnes in 1971, 10.5 million tonnes in 1972, 5.7 million tonnes (till June) in 1973. Subsidy on extra two million tonnes distributed could not have wrougnt the havoc we see on the economy. Apologists of the government should know that the people have accepted *additional* taxes of Rs 700 crores throngh the last three budgets. Where was then the need for unbridled deficit financing?

The drought is claimed to be unprecedented. From the rampart of Red Fort, the prime minister said that it was the worst in the past fifty years. Wrong lo[...] sought to be bolstered by doctored [...] The following table shows producti[...] foodgrains in recent years:

(In million tonnes)

1968-69	94
1969-70	99.5
1970-71	107.8
1971-72	104.5
1972-73	98-10[...]

Per contra in 1964, production had bee[...] 89.4 million tonnes and it fell to 72.3 millio[...] tonnes in 1965 and 74·2 millon tonnes [...] 1966. Between 1967 and 1970-71, pro[...]duction ranged between 94 and and 10[...] million tonnes. There was no catastrophi[...] rise in prices then; why do we find [...] wholly different picture after June 197[...] even when the government had ni[...] million tonnes in stock, and two millio[...] tonnes were imported? The real culprit [...] not on *supply* side but on the side o[...] *management of demand.*

growth in production

Incidentally, between 1950-51 an[...] 1970-71 foodgrains production has grow[...] at an *annual average rate* of 3¼ per cen[...] According to reputed scholars the annua[...] average increase in food production i[...] *China works out at the same figure*—3[...] per cent (cf. *Contemporary China*, ed[...] Ruth Adams, page 181). The wonder[...] changes in China have led to no differen[...] tempo of growth from that achieved b[...] our pedestrian efforts.

Let us look at *demand* position: bet[...]ween 1969-70 and June 1973, money [...]ply with the public has gone up [...] Rs 5136 crores to Rs 9718 cro[...] approx. 90 per cent. In three and [...] years, Mrs Gandhi added to [...] supply almost equal to previous 110 yea[...] (1858-1968)! Against this casca[...] currency, increase in GNP was [...] per cent. While money supply [...]

.8,14,14 per cent respectively, GNP ed a reverse trend.

	Per cent
9-70	7.3
0-71	4.6
1-72	1½
2-73	1½

esides increase in money supply, new sits are largely being advanced as credit to the government sector: een June 1972 and June 1973, the int comes to Rs 1383 crores. Two be noted: (i) normally there is a s lag before increased money supply adequately reflected in price-rise.(The arrows as confidence in currency re- s); (ii) bank credit to government is inflationary than to any other sector. use credit to government is counter- nced by credit squeeze for the private or, there can be adverse effect on uction.

e in expenditure

Revenue expenditure of central govern- t has gone up from Rs 2,900 crores in -70 to the budgeted figure of Rs 4,752 es for 1973-74. When we note that 971-72, the budget figure was exceeded Rs 600 crores, and in 1972-73 by 00 crores, one can assume that when actuals for 1973-74 come, expenditure be found in the neighbourhood of 5,000 crores—a hike of Rs 2,000 crores four years! The following table of getary operations of the central ernment will be found to be revealing:

ar	% of Net Tax Revenue	
	Defence	Development
62-63	18.8	28.2
63-64	25.7	25.5
72-73 (R.E.)	19.4	11.1
73-74 (B.E.)	20.1	20.7

oring for the time, the budget esti- tes for 1973-74 (because they are apt vary sharply) and focussing attention on ised estimates for 1972-73, we find that ile defence expenditure as proportion of al revenue has reverted to 1962-63 ition, development expenditure has lined from 28.2 to 18.1 per cent. This he measure of *structural* alteration in n-development, non-defence expendi- e. Let not Mr Chavan put forward defence needs as a cause of current econo- mic malaise.

Let us next turn to *drought*. The fourth Plan had assumed an outlay of Rs 100 crores for relief. The Planning Commission had allotted Rs 112 crores for Drought Prone Areas Programme (DPAP)—covering 54 chronically affected districts and 18 contiguous ones. The outlay on drought relief between 1969-70 and 1972-73, in fact has turned out to be Rs 800 crores: "In fact the total expendi- ture on relief operations during the fourth Plan may turn out to be just about as large as the provision for major and medium irrigation in the forth Plan." (P.C. document). What results have been achieved? Let the Commission answer:

> "It will thus be seen that while a significant expenditure from the natio- nal exchequer has been repeatedly incurred, adequate impact has not been made."

Details of achievements available are confined to Rs 48 crores spent under DPAP.

		Percent
Minor Irrigation	..	43
Roads	..	32
Soil Conservation	..	10
Afforestation	..	8
Others	..	2

What *productive assets* survive from the expenditure of Rs 800 crores is for the nation to judge.

fancy schemes

Consider some fancy schemes. Let me quote again the Finance minister, "When there was failure of the kharif crop, government had to plan for some concen- trated effort in the rabi crop and we did it, we *had* to undertake an expenditure of nearly Rs 190 crores. Some member asked what happened to that? It gave some results no doubt." Yes, no doubt! Or consider the Crash Scheme for Rural Employment (CSRE):•

Year	*Expenditure* (in Rs crores)	*Man/days* (in million)
1971-72	31.25	80
1972-73	52	130

It means an outlay of Rs 4 per manday. Even for useful earthwork, cost of mate- rials, implements, etc. add up to at least 50 per cent. If the wage was Rs 2.50 or so, much of the work must have proved a waste. In fact, we are told that 80 per cent of the expenditure was spent on roads. The state governments had to be warned not to undertake projects less than Rs 5,000. How infructuous expen- diture on fancy schemes has been is by now widely known.

lack of discipline

Lack of financial discipline has aggra- vated imblance between supply and demand. When the cost of living rises by 25 per cent in a year, when cost of inputs in agriculture escalates by 43 per cent, is government justified in persisting in paying Rs 76 per quintal of wheat to the farmer? In June 1972, foodgrains worth Rs 429 crores were marketed by co-operatives. Between 1968-69 and 1971-72 only in Punjab did the value of produce marketed through co-operatives go up strikingly—from Rs 76 crores to Rs 240 crores. In 19 other states, the value was either near stationary or on decline. An alert government would have sought corrective action. Not the present government. When the government decided to take over wheat trade, it should have known that it was saddling itself with regular imports. Even in China, experts tell us, the centre is never sure of balancing surplus coaxed out of surplus provinces with the needs of deficit provinces. Hence Peking government invariably imports between three to six million tonnes of foodgrains every year. Any economic strategy has its own implica- tions. Unfortunately the government does not believe in "homework".

Next, let us turn to *cloth*. With fan- fares the government had announced that the price of coarse and medium varieties shall not go up by more than 10 per cent over Novembor 1972 level. The Natio- nal Textile Corporation (a public sector enterprise) has gone in for a price rise of 30 to 35 per cent (*Economic Times*, August 14, 1973). Price fixation and con- trols, in isolation from regulation of money supply, break down even in the government sector. Price policing is a delicate operation and it demands fine tuning of the economy as a whole.

The demand side has been messed up by financial laxity, and supply position has deteriorated in pursuit of unrealistic policies. It is not an accident that in 1958-1965, industrial production grew at the rate of nearly 10 per cent a year, and in 1966-72, the figure came down to three per cent a year. While 800 concerns

under so-called monopoly houses were held back, government could not provide compensating thrust either in the public sector or through new entrepreneurs. Employment figures throw revealing light on it:

	Employment (In lakh)		
	March 1961	March 1966	March 1972
Public Sector	70.50	93.78	111.89
Private Sector	50.40	68.10	67.5
Total	120.90	161.88	179.39
Variation..	..	40.98	17.51

While employment in the private sector declined because of freeze on expansion there, even in seven years, the public sector could not match the effort in five years of 1961-66. What wonder if the number of the job seekers jumped up from 40 lakhs in December 1970 to 74 lakhs in May 1973—85 per cent in 29 months.

The following table shows how the pace of production of incentive goods have gone down.

Per million person	1960	1966	1971
Bicycles	1950	3260	3960
Sewing machine	59	75	77
Radio receivers	643	1429	3279
Cloth (metres per person)	16	—	14

A serious consequence of the imbalance between demand and supply is further distortion of the structure of income distribution. *Dictionary of Economics* while discussing inflation underscores the following point:

"The fact that there may be undesirable redistribution of real income, since those whose money incomes rise at a slower rate than the rate of inflation clearly lose, while the real incomes of those whose money incomes rise faster than the rate of inflation increase. Those whose money incomes change infrequently may become very badly off."

POINTS OF VIEW

Since 1968-69, variation in per ca[illegible] income had been as follows:

	Annual ra[illegible] Per ce[illegible]
At current prices	[illegible]
At 1960-61 (constant prices)	[illegible]

Twenty-fold intrusion by "Mone[illegible] li[illegible]sion" gravely works against the p[illegible] Oddly the skewed distribution has [illegible] led to a step up in savings. Bank dep[illegible]sits in 1972-73 increased by 20 per ce[illegible] As price-rise in the period was also [illegible] per cent net increase was almost zero.

Government apologists assert that t[illegible] price rise is a world wide phenomeno[illegible] In industrialised countries there is fo[illegible] to six per cent rate of inflation current[illegible] But it has triggered off sharp growth in t[illegible] economy. In Britain, while prices ro[illegible] by 33 per cent under Mr Heath, incom[illegible] has gone up by 36 per cent. In Indi[illegible] today inflation is rising at three to fo[illegible] per cent *a month* and the econom[illegible] stagnates since 1966.

I have briefly sketched some of *the ec[illegible]nomic consequences of Mrs Gandhi*. Th[illegible] flow out of wrong policies, poor administ[illegible]tion and misapplied socialism. It is no[illegible] enough that we highlight her failures, [illegible] need also to draw purposivelessons an[illegible] embody them in our policy profiles.

Engineering and Cotton Textiles

Size and yield of companies

Dr S. Kumar

IT IS well known that small and medium-sized firms are at a relative disadvantage in raising capital as compared to the large firms. General public as well as the institutional equity holder have shown little interest in the shares of small and medium sized firms. Large firms, because of their name and goodwill, commend their shares, while smaller firms suffer from the ignorance of the general public. The shares of smaller companies are also neglected because they are assumed to involve a greater risk element and are much less liquid than the shares of large companies. Institutional equity holders, who deal in large stocks, are generally unwilling to hold more than a small proportion of the equity of a company lest they exercise an undue influence on its working. Hence they prefer to deal in the shares of a few large and well known companies. Besides, they can deal in these shares without fear of disturbing the market.

Over and above the lack of interest by the general public and the institutional holder, smaller firms are at a further disadvantage as the cost of raising capital through issue of shares is prohibitively high for small issues. These factors, however, provide only a part explanation of the difficulties faced by the small or medium sized firms. Part of the explanation lies in the differences of yield of the large and smallsized firms. Yield, which is dividend as a percentage of market price of shares, may be higher and hence unfavourable for the small and medium sized firms.

The yield-structure would depend not only on the size of the firms, but also on the nature of the industry. For example, textile industry may carry hi[illegible] yields because it may be regarded by th[illegible] capital market as having poor gr[illegible] prospects. On the other hand the en[illegible]neering group of industries may be re[illegible]garded as having a high growth poten[illegible]tial. As a result their yield, other thin[illegible] remaining the same, may be lower [illegible] comparison to industries that do no[illegible] have a high growth potential. In th[illegible] article, an attempt is made to study th[illegible] yield-structure of these two industries[illegible] cotton textiles and general engineeri[illegible] General engineering group of indus[illegible] include, for the purpose of this stu[illegible] manufacture of machine tools, machi[illegible] of various kinds and metallurgical [illegible]dustries.

To examine the yield-structure [illegible] the large and smaller medium [illegible] firms, a random sample of firms in [illegible]

o industries was taken. The required ta on yield for the year 1969-70 was t available for many of the firms in Bombay Stock Exchange Directory, d these had to be dropped out of sample. The requisite data were ailable for 61 firms in the cotton tex- industry and 32 firms in the general gineering group. Firms with the mar- value of equity capital lesser than one crore were considered to be small medium sized for the purpose of this dy and firms above this limit were ken to be large sized. This divided the mber of firms in the sample into two ups—large and small or medium ed—more or less evenly. Yield was culated at prices of shares ruling in last month of 1969-70, i.e. March 70. An average of the highest and lowest price ruling in that month s taken to evaluate the market value equity capital. Dividend declared on uity as a percentage of market value equity thus arrived at was the yield a particular firm. The month chosen the evaluation of market price of uity was well after the dividend decla- tion, so that the prices of shares have en influenced by the actual accruals of vidends to equity holders and retained ofits to the company.

ield structure

On examining the yield structure for fferent magnitudes of yield for the ge and smallsized firms, it was found at the large companies generally had yield below eight per cent, while all firms had an yield above eight r cent. Table I sets out the distribu- on of firms in the two industries under dy according to their yields.

TABLE I

Distribution of Firms according to Size and Yield

(Percentages)

ndustry	Textile		Engineering	
ield / ize	Above Rs one crore	Below Rs one crore	Above Rs one crore	Below Rs one crore
bove 8 er cent	7	15	2	14
elow 8 er cent	26	13	13	3
otal	33	28	15	17

There are 33 large sized firms in the xtile industry. Out of these 26 have an ield below eight per cent, while seven ave an yield above eight per cent. In e case of small-sized firms, 13 out of 28 have an yield below eight per cent, while the remaining have an unfavour- able yield of over eight per cent. In the engineering group of industries, the un- favourable yield structure for the small or medium-sized firms is brought out rather sharply. Thirteen out of 15 large firms have a favourable yield of below eight per cent; while 14 out of 17 small sized firms have an unfavourable yield.

This phenomenon becomes more ex- plicit when we compare the average yield for the small and large-sized firms. Average yield was the total of dividends of the companies under consideration as a percentage of the sum of market value of equity capital of the companies. Table II presents average yield as well as average earnings-price ratio for the large and small firms in the general en- gineering group of industries.

TABLE II

Average Yield for Large and Small Firms in General Engineering

(Percentages)

	Large firms	Small firms
Yield	6.2	8.5
Earnings-price ratio	7.9	18.1

It is obvious that both average yield as well as the average earnings price ratio (i.e. average earnings as a percentage of market price of equity capital) are higher for the small or me- dium sized firms. For these firms, the yield is almost one and half times that of the large firms; while the earnings- price ratio for small firms is well above twice that of the large firms. In respect of equity yield as well as earnings yield, the smaller firms are at a disadvantage.

Since the sample for textile industry was large enough, we have compared the average yield and earnings-price ratio for four different sizes in Table III.

TABLE III

Average Yield and Earning-price Ratio for different sizes of firms in Textile Industry.

(Percentages)

Size	Average Yield	Average earning-price ratio
Above Rs 5 crores	4.9	11.8
Rs one to 5 crores	7.2	13.8
Rs ½ to one crore	7.8	19.2
Below Rs ½ crore	8.4	20.0

It is clear that the average yield as well as the average earnings-price ratio tend to become larger and hence un- favourable as the size of the firm becomes smaller. The average earnings-price ratio is fairly close for firms with equity capi- tal of above Rs five crores and those with equity capital between Rs one and five crores, being 11.8 and 13.8 per cent respectively. These two figures are how- ever much lower than the average earn- ings-price ratio of firms with an equity capital below Rs one crore, being in the range of 19 to 20 per cent. As regards average dividend yield, it is 4.9 per cent for firms with market value of equity above Rs five crores; while for the lower three sizes of firms, it is above seven per cent, and tends to increase gradually as the size of the firm becomes smaller.

disturbing limitation

There is one disturbing limitation on the above conclusion regarding the rela- tionship between yield and size of the firm. It is quite possible that the large firms have lower yields in general, not because they are large but because they are more stable and efficient. And hence the capital market is not discriminating against smallness but only enabling the better organised firms to have a favour- able yield structure. *A priori*, this does not appear to be the whole truth. For, there are very good reasons to believe that large companies should have a fa- vourable yield structure—because of their goodwill, and because the smaller firms, though sound, may suffer from apathy of institutional equity holder and ignor- ance of the general public. Hence there appears to be sufficient truth in the find- ing that the yield structure is unfavour- able to the smaller firms.

If we compare the average yield as between the cotton textile and the en- gineering group of industries, we find that the average yield was somewhat higher in the latter, both for large as well as the medium sized firms (see Table IV). For large firms, it was 8.5 per cent in engineering as against 8.1 per cent in cot- ton textiles; while for the small and me- dium sized firms, it was 6.2 and 5.6 per cent respectively for the two industries.

Cotton textiles is an established in- dustry with a greater degree of stability. Engineering on the other hand is a rela- tively new field in India, and perhaps in- volves greater risk in the mind of the in- vestor. This could be one of the rea- sons for higher yields in the engineering group of industries. Size remaining the

[illegible] difference in yield as between different industries would be the 'cover', i.e. the ratio of earnings (profits after tax) to dividends declared. A firm with a low cover is likely to have a higher dividend yield and a firm with a high cover is likely to have a lower yield. The slightly higher average yields in the engineering industry as compared to cotton textiles could therefore, in part, be due to lower cover. It can be seen from Table IV that for the large firms, the cover is only 1.7 in engineering as compared to 2.2 in the cotton textiles. And for the small and medium sized firms also, the cover in engineering (2.13) is somewhat lower than in cotton textiles (2.4).

TABLE IV

Average Yield and Cover in Cotton Textiles and Engineering

Yield/Industry & size of firm	Engineering		Cotton textiles	
	Lare firms	Small and medium sized firms	Large firms	Small and medium sized firms
Average yield (per cent)	6.2	8.5	5.6	8.1
Average cover	1.27	2.213	2.2	2.4

This however goes against our hypothesis. One should expect a higher cover and a lower yield in the case of engineering group of industries. These are industries with a potential for expansion. Since growth prospects are higher, these industries can afford to declare lower dividends and need not follow a conservative policy in the matter of dividend declaration.

The higher yields in engineering as compared to the textile industry has an important implication. This means that the firms in engineering industry can raise a smaller sum of capital per unit of prospective earnings than the firms in textile industry. Thus engineering group of firms, which have a higher growth potential, are at a disadvantage in the matter of raising capital in the market. This disadvantage could be a relative impediment to growth in the engineering group of industries.

Similarly the finding that small and medium sized firms carry higher yields than the large firms is a serious flaw in the functioning of the capital market inasmuch as a smaller firm, even if sound and having a growth potential, is placed at a disadvantage in the matter of raising capital.

International transmission of inflation

Jossleyn Hennessy

WINDOW ON THE WORLD

A widely held view is that the increasing economic interdependence of the OECD area—and of European economies in particular—has led to a higher degree of "internationalisation" of inflation. OECD's *Economic Outlook* No. 13, in a special article, explores whether or not this view is borne out by the facts, how inflation has been transmitted from country to country in recent years and what measures might be taken to minimise "imported" inflation. This week and next I offer a summary of this study.

A listing of the main channels of transmission of international inflation that is admittedly eclectic in approach might run as follows :

Price effects, which can be of various kinds :

—Trade price effects from non-competitive imports (for example raw materials that cannot be produced domestically) : the most direct and obvious form of imported inflation, affecting either industrial costs, or consumer prices directly.

—Trade price effects from competitive imports ; these import prices will tend to be influenced in some degree by domestic competitors, although the latters' pricing on the home market will, by the same token, be influenced by import price behaviour.

—Trade price effects from price-following exporters : a more complex chain of effects. A rise in world market prices leads to improved exporters' profits, and thence to higher wage increases. The wage increases may then influence wage formation in sectors sheltered from foreign competition and, thence, the pricing of these sectors.

Demand effects arising from increased exports and an improvement in the current balance leading to excess demand at times of full employment.

Liquidity effects of the current balance plus or minus capital flows, on monetary conditions and hence in time on domestic demand and prices.

Other linkages, such as :

—Multinational corporation and union links : direct links in pricing policy are possible over the above trade price effects, and international trade union co-operation can influence wage bargaining.

—International inflationary expectations and demonstration effects ; an international version of domestic price expectations may operate powerfully over and above the more direct economic mechanisms, as may also cross-frontier wage-bargaining demonstration effects.

I

Price Effects

Among the complex mechanics of transmission of international inflation, direct trade price effects appear to be of major importance. Quantified evidence shows that the problem of 'imported inflation' through trade price effects is particularly serious and intractable for the smaller open European economies.

The behaviour of trade prices as a means of transmitting inflationary influences is considered in the light of three sets of evidence :

First the size of the foreign trade sector (including goods and services) as a share of GNP. This may be considered as a simple but basic indicator of the varying degrees to which countries are exposed through trade prices to internationally transmitted inflation. Reflecting population size, the height of trade barriers and, to some extent, stage of development, the size of the foreign trade sector (the average of exports and imports as a share of GNP) shows a wide range of variation, from about 50 per cent in the case of the Netherlands, to as little as six per cent for the United States (see table). Most of the smaller countries are in the upper half of the range.

Increasing economic interdependence is reflected in the continuing gradual increase of the foreign trade sector as a share of GNP in most countries. Belgium, Spain and Switzerland stand out for their particularly big structural increases in the foreign sector.

The second factor is the different degree to which any given country's import and export prices are determined by external

Average of Exports and Imports (of Goods and Services) as Percentage of GNP at Current Prices in eighteen OECD Countries (1960-62 and 1968-70)

	1960-62	1968-70	Change
Netherlands	50.2	49.2	−1.0
Belgium	35.5	43.9	+8.4
Norway	40.0	42.6	+2.6
Ireland	38.5	40.6	+2.1
Switzerland	28.3	34.9	+6.6
Denmark	31.9	30.2	−1.7
Austria	24.3	28.2	+3.9
Finland	24.4	26.8	+2.4
Canada	21.2	25.3	+4.1
Sweden	24.3	25.1	+0.8
United Kingdom	22.3	23.5	+1.2
W. Germnay	18.8	21.9	+3.1
Italy	15.6	19.0	+3.4
Australia	15.4	15.9	+0.5
France	12.8	15.6	+2.8
Spain	10.9	15.3	+4.4
Japan	10.6	10.7	+0.1
United States	4.9	5.9	+1.0

..us domestic influences. This also ..s to depend upon the size of the ..try and of the share of the trade sec- .. GNP.

..us a small country with a large ..gn trade sector may find its import .. export prices 'dictated' by world .. prices. This is the case postulated .. school of Nordic economists with ..ect to their own economies. In its .. form, general changes in aggregate ..es and wages on this model are deter- ..ed through the external sector; thus, ..ut it crudely, all inflation is imported.

..e Nordic model seems plausible and .. for the past, given some good statisti- ..esults for small countries with a large ..gn sector, but could hardly apply to ..untry like the United States with its ..l foreign sector and where foreign .. prices seem to be predominantly ..estically determined, nor to the larger ..opean countries.

..vidence of the greater sensitivity of ..ll countries' trade to foreign influences ..esented in the chart below which shows that the amplitude of exchange rate changes(either upwards or downwards) has tended to be inversely related to the size of the foreign trade sector in GNP. Thus, large countries with small trade sectors tend to find that their trade prices can and do get out of line with those of their competitors, and have thus comparatively high propensities to change their effective exchange rates. Small countries with large trade sectors find that their trade prices are kept more in line with external competitive conditions, and thus their propensity to change rates is comparatively slight. These tendencies are as much true of devaluation-prone and revaluation-prone countries.

This evidence is corroborated by econometric analysis of export price behaviour made by the OECD Secretariat in connection with its balance of payments forecasting suggesting that :

—in the United States, the domestic price influence is massively predominant over competitors' export price influence;

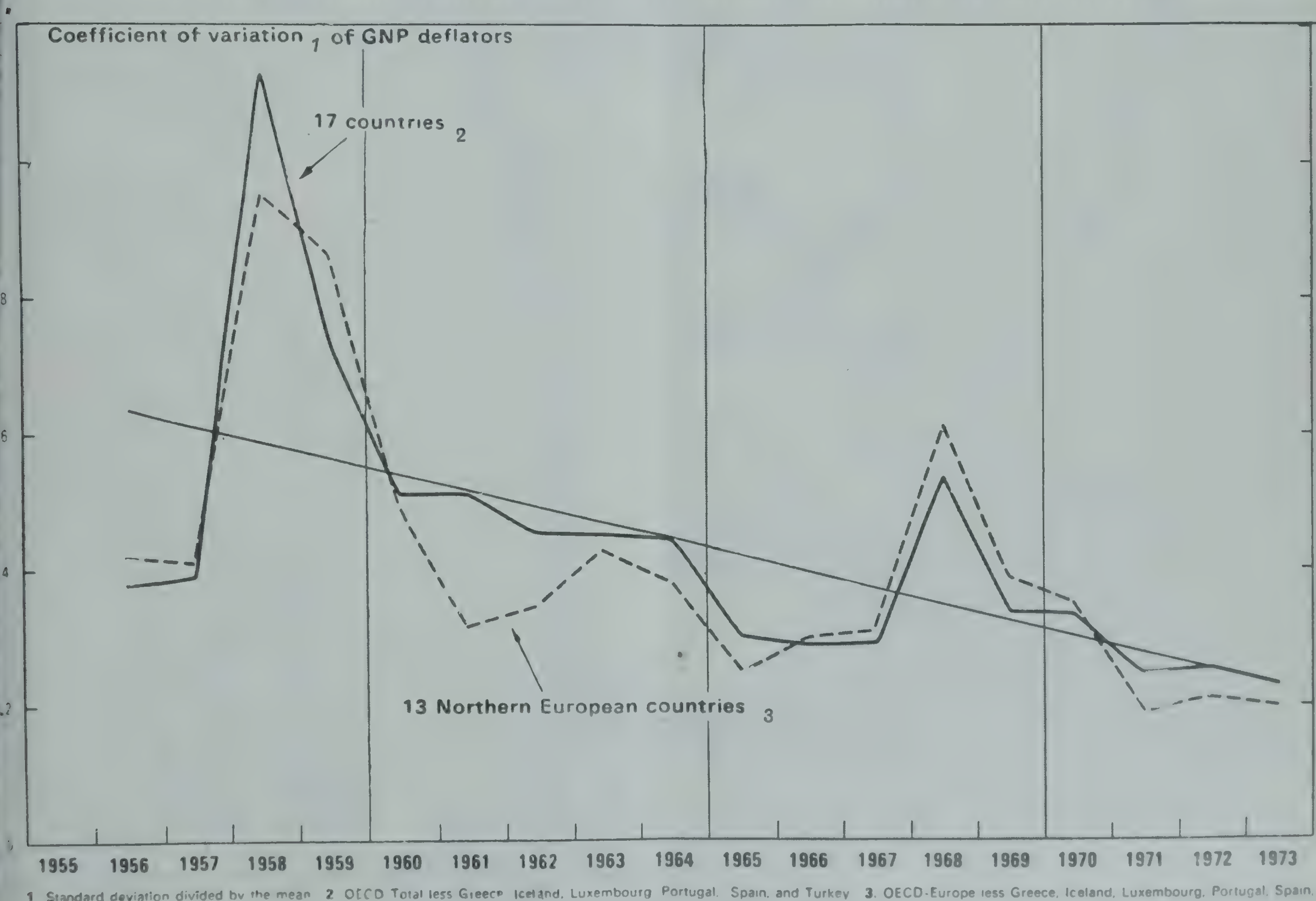
—in West Germany and the United Kingdom the domestic price influence is also dominant, but less strongly so;

—in Canada (a controversial case), France and Japan, the influences appear to be more equally weighted;

—in the smaller countries, such as Austria, the Netherlands, Norway and Sweden, the external price influences are considerably more powerful than the domestic influences.

The multiple (foreign and domestic) determination of 'competitive' foreign trade prices would seem to be established beyond doubt, with the weights of the two sources of influences varying in large measure as a function of the size of the foreign trade sector. But for a country such as West Germany export prices may still be significantly correlated with the price behaviour of foreign competitors, even if the domestic determinant is also of importance. Some economists have focussed attention on the foreign determination of West German export pricing, paying less attention to the domestic cost influence which would seem—manifestly—

A. THE INCREASING CONVERGENCE OF INFLATION RATES



1 Standard deviation divided by the mean 2 OECD Total less Greece Iceland, Luxembourg Portugal. Spain, and Turkey 3. OECD-Europe less Greece, Iceland, Luxembourg, Portugal, Spain, and Turkey 4. GNP potential minus actual as percentage of potential

to have been of sufficient power to have enabled the DM to have become undervalued repeatedly during the 'Fifties and Sixties.

Thirdly, there is the effect of parity changes on the evolution of foreign trade prices in local currency terms. The course of export and import prices in local currencies in the period 1965-1972 points to the clear impact of parity changes on foreign trade prices. The period 1965-1967 saw general stability of foreign trade prices, under the leadership of West Germany and Japan, whose export prices hardly changed at all. The devaluations of late 1967 disturbed this picture, with the devaluers receiving sharp price increases through the export and import sectors in 1968, and the remaining countries (effective revaluers) receiving stabilising influences. Conversely, after the DM was revalued in 1969, larger and generalised trade price increases ensued for most countries, as the 'German discipline' on world competitive conditions was relaxed. More remarkably, West German export prices expressed in DM also continued to rise in 1969 and 1970, reflecting the high demand pressures in the West German economy. Similarly in 1971 the countries revaluing or floating in the first half of the year tended to experience nearly stable or declining export prices and nearly stable or declining import prices, while the rapid rate of increase continued in most other countries. The pattern of trade price variations in 1972 seems to reflect the Smithsonian realignment of parities and the subsequent mid-1972 floats of the United Kingdom and Ireland : the overall effect of the Smithsonian realignment appears to have been to dampen the rate of increase in foreign trade prices in the short term.

II

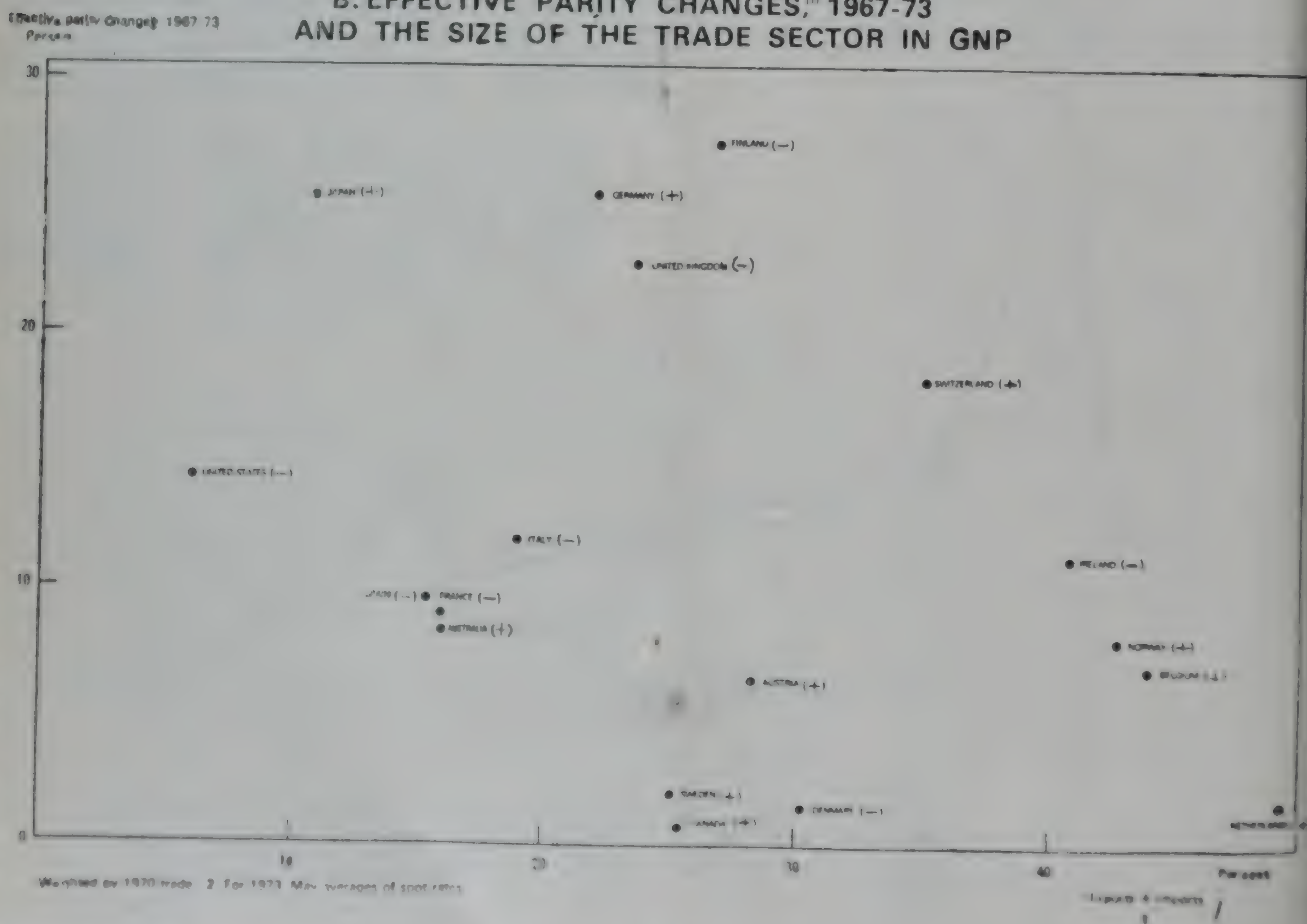
Demand and Liquidity Effects

The well known process by which demand pressures spill over from country to country was an important factor in Europe from 1968 through mid-1970 when the strong boom in West Germany generated strong expansionary forces in its major trading partners. It was less important, however, from mi[d-] until late in 1972, the period during w[hich] the phenomenon of 'stagflation' b[ecame] generally apparent and demand pres[sures] eased.

The massive liquid dollar inflo[ws] Europe in 1970 to 1972 at a time of inflation give, at first sight, an op[portu]nity for ascribing the inflation to [inter]national monetary explanations. Th[ose] who believe that international liq[uidity] has been an important factor argue (a) the United States' balance of pa[yments] deficits have been largely responsib[le for] the accelerated rate of monetary exp[an]sion in most countries during this peri[od] and that (b) this has been the main ca[usal] factor behind the faster rise in pri[ces]. Those who are sceptical advance one [or] more of the following arguments :

(i) Up to a point, externally genera[ted] liquidity can be just a substitute for [the] domestic money creation needed [to] satisfy normal liquidity needs; bey[ond] this, countries can offset, in vary[ing]

B. EFFECTIVE PARITY CHANGES,[1] 1967-73 AND THE SIZE OF THE TRADE SECTOR IN GNP



1 Weighted by 1970 trade 2 For 1973 May averages of spot rates

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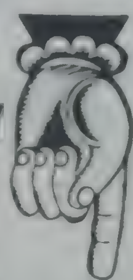

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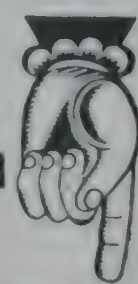

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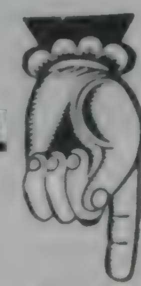

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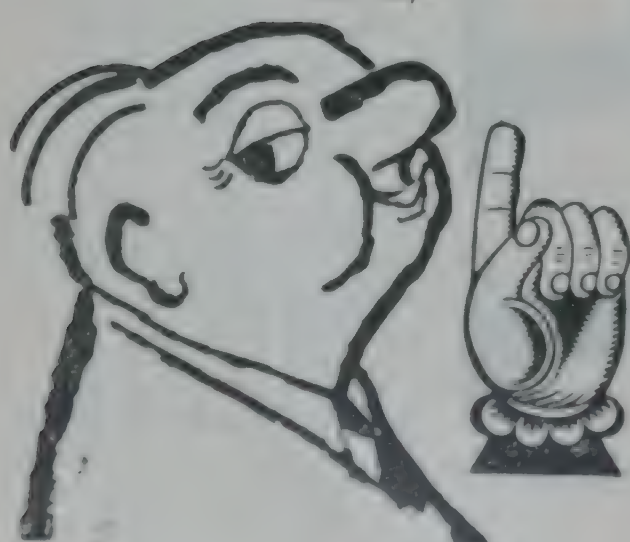

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davp 73/242

grees, unwanted liquidity creation ning from the foreign surplus;

i) More fundamentally, the faster e of money creation was more a reflec- n than a cause of the accelerated rate nflation.

Reviewing briefly the evidence over the t eight years, in the period 1965 to 7 the overall US deficit was small in tion to the expansion of money supply non-US OECD countries, and the ividual country surpluses were almost in the range of one to three per cent GNP. These were also years in which European average rate of inflation s comparatively low.

In 1968 and 1969 the US balance of ments (on an official settlements basis) s in fact in surplus, and the balance of n-monetary transactions had a small *tractionary* impact on the total money pply of other OECD countries. In the t of these two years, 1968, the Europ- n average GNP deflator rose only 3.2 cent, but in 1969 European inflation gan to accelerate (the deflator rising 4.9 cent)—notwithstanding the US sur- is. In 1970, the surplus on non-mone- y transactions of other OECD coun- es amounted to an 18 per cent 'primary' ntribution to the expansion of money pply in these countries. While the ropean GNP deflator accelerated to a te of increase of 6.3 per cent in this ar, the increase in money supply was elf only 'normal' by past standards 3 per cent)—which implies that the tra' inflows of liquidity were, on erage, sterilised.

In 1971 however, the growth rate of the oney supply rose to an unusually high te of about 17½ per cent. At the same ne, the contribution of the primary monetary effect of external transactions to the growth of money supply in the non-US OECD countries further increased to 24 per cent. And in 1972, monetary expansion further accelerated, although the relative importance of the 'primary' monetary effect declined in line with the reduction of the US balance of payments deficit.

Since 1971 and 1972 corresponded with the period when in many countries price increases remained high or accelerated despite an easing of demand pressures, an a *priori* case could be made for attributing an important causal role to international monetary transmission. To make such a case, however, one must assume that an abnormally high rate of money creation has a direct impact on price and wage determination, independent of any effect on spending decisions and real demand.

To summaries : an 'international liquidity-monetarist' explanation of the course of inflation in OECD countries other than the US during 1965-72 appears difficult to reconcile with a year-by-year examination of the facts; even for 1971, when the monetary and price indicators are best in line, the low prevailing level of demand pressures implies the need to resort to an extreme (quantity theory) argument.

Whatever may be difference of views about these questions it would probably be generally agreed that the large capital inflows into many countries during the last three years have complicated the task of implementing monetary policy, particularly in West Germany and Switzerland. Thus, even if it is thought that the amount of inflation imported in this way may be relatively limited, it would remain that the national authorities' ability to control the course of domestic demand has, to varying degrees, been impaired.

The height and uniformity of national inflation rates in 1971 and 1972, at a time of relative trade price stability (under the influence of the 1971 parity realignment) and low demand pressures, pose the question whether other international inflationary influences have been at work.

Prices and wage links due to multinational corporations and unions are difficult to pin down in the absence of empirical evidence. Studies of the US-Canadian relationship provide the main insights at present available, and indicate that price links are stronger than wage links. It was found that about 60 per cent of Canadian price changes could be 'explained' by US indicators, whereas the factor for wages was only 30 to 40 per cent. However, institutional peculiarities in the USA may mean that some of their findings are inapplicable in Europe.

As to the international transmission of *price expectations and other demonstration effects*, it is suggested that intangible factors like these should not be disregarded. Much has been said about the French, Italian and British wage explosion demonstration effects. The feeling that the inflationary problem in Europe has become generalised is evident in—and may have been enhanced by—the frequency with which governments have explained that 'imported inflation' had limited the effectiveness of their domestic stabilisation policies.

A second and final article next week will summarise national policies for countering imported inflation and look at prospects for future international action against imported Inflation.

Algiers: accent on cooperation

Hardev Singh

THE FOURTH non-aligned summit at Algiers was described by the Prime Minister, Mrs Indira Gandhi, as 'worthwhile and constructive, particularly with regard to its economic consequences. Mrs Gandhi, who was enthusiastic about the scale of the summit, pointed out at the airport on return that the emphasis placed by the leaders on the economic content was meaningful, evidently realising that only through economic cooperation the developing nations could eliminate obstacles in the path of progress.

President Houari Boumedienne of Algeria, while inaugurating the conference, sounded the warning that there could be no real progress in the world so long as the concept of any country or group of countries dominating others influenced international relations. Dr Kurt Waldheim, the UN Secretary-General, was almost in the same mood when he deplored the 'widening gulf between the rich and the poor nations'. He urged strongly that this trend should be 'tackled only by the combination of national and multi-national programmes'.

The broad structure of the economic declaration that emerged at the summit was discussed under four headings review of the international situation appraisal of the implementation of international development strategy, question of collective action among developing countries to persuade the developed nations in meeting their commitments and measures for increased cooperation among the non-aligned.

A common theme in the speeches mad by President Sadat of Egypt, Presiden Tito of Yugoslavia, Emperor Haile Selassi of Ethiopia and President Gaafar el Nime

ity of the [illegible] was the condemnation of economic exploitation by the industrial countries and determination of the developing nations to gain full control over their natural resources, specially petroleum. It was evident that almost every leader at the meeting was conscious of the very recent developments in Libya. This could also explain the reason why Colonel Gaddafi of Libya aroused great enthusiasm among the hundreds of delegates at the conference. President Sadat too supported many others who linked a solution to the Middle East crisis to a "better use of petroleum power." He argued that peace in the Middle East required "recognition of our sovereignty over our national resources". This view also found expression in the agreed economic statement which contained the stand that the non-aligned countries would give prompt support to any developing country which became the victim of boycott, economic aggression or political pressure because it fought for control over its natural resources and foreign controlled enterprises.

Apart from this idea of national control over natural resources, economic cooperation among developing countries received substantial attention of the delegates. President Tito, for instance, labelled the non-aligned movement as the 'conscience of the world' and called upon its members to strengthen their mutual cooperation in order to overcome the domination of the super powers. He went to the extent of advocating a reform of the United Nations and its organisations in order to achieve increased rights in international action for developing countries. He also pointed out that some of the non-aligned nations possessed vast energy resources and that these countries should agree on the best possible use of these resources. He held that a more concerted policy in their dealings with the industrialist countries should be devised. It may be added, however, the effort to seek areas of cooperation among non-aligned countries in the economic field was evident, though not many concrete results could be expected so soon.

The highlight of the economic declaration was an action programme designed to provide a solution to common problems, while respecting the individual requirements of each country. Mention may be made of two decisions of significance taken by the conference on the economic front. The first was creation of "development and solidarity fund" for the non-aligned countries and the second a project for a joint UNCTAD-FAO meeting to consider steps for alleviating the adverse and even dangerous consequences of the world food crisis for the developing countries.

22 years of aid to Asia

Ottawa

TWENTY-TWO years ago Canada's programme on international development assistance—estimated this year to exceed half-a-billion dollars—began with the inception of the Colombo Plan.

From a modest contribution of $ 400,000 in 1951, the aid programme to south and south-east Asia has become the largest of the regional bilateral aid schemes administered by the Canadian International Development Agency. This year's allocation of $ 160 million—more than half of Canadian's bilateral aid funds—will be used to aid development in 18 countries in this part of the Third World. It brings the total Canadian contribution to social and economic development in Asia to more than $ 1.7 billion dollars.

The Colombo Plan was born out of the urgent need to solve pressing economic and social problems facing Asia's developing nations, including the newly independent countries of India, Pakistan and Sri Lanka. Its main purpose was to help raise the living standards of upwards of a billion people in this part of the world. "We have come a long way together in our partnership for progress with the people of these Asian countries," said Paul Gerin-Lajoie, President of the Canadian International Development Agency. "The modernization of centuries-old societies in many of these countries is forging ahead. Canada has made significant contributions to their social and economic development by channelling funds into many different sectors of this area's economy in the past 22 years".

Huge dams and power developments, industries, roads, airports, and other facilities have been built. Many Canadian teachers and experts have imparted their knowledge and skills to a variety of sectors and hundreds of students from these nations have studied in Canada over the years. Canadian food and commodity aid programmes have helped to meet urgent requirements and have provided scarce foreign exchange for development priorities.

The know-how that helped build Canada and the resulting technology have played an important part in equipping the people in Asian countries to reap the harvest of their economic potential. Its effect has been felt throughout the vast Asian land mass, from landlocked Afghanistan across the wide reaches of Pakistan and India to the fertile rice bowl of Burma, Thailand and Indochina to the large forests of Malaysia and the multi-island nation of Indonesia. The skills that helped harness the power potential of Niagara and Churchill Falls helped to build large scale power and irrigation projects like the Warsak and Kundah dams in Pakistan and India. Additional energy and irrigated land has resulted in new industry, employment and increased agricultural production.

Canada's modern telecommunications technology has helped plug India and Pakistan into the global space communications system. Canadian designed earth satellite stations and communications equipment are being used in a massive programme to improve domestic communications. Canadian aircraft, equipment, and experts are helping develop civil aviation in Nepal and Indonesia, and to a lesser extent, Afghanistan. Canada is also assisting in airport construction and modernization programmes in India and Indonesia. Expertise that has earned Canada an international reputation in forestry circles is being utilized in countries such as Malaysia, Indonesia, Sri Lanka, and Burma to evaluate and develop their logging industries and forestry resources.

Canadian scientists are helping countries in Asia maintain the pace of the "Green Revolution". Large quantities of fertilizer, and other materials provided by Canada are being used to improve agricultural production. Emphasis on food aid is declining somewhat, due to inceased capability in foodgrains production. But it has formed an integral part of the Canadian development assistance programme. Large contributions of foodgrains and foodstuffs have helped sustain food supply systems in times of drought and famine, while developing nations continued to work diligently towards self-sufficiency in food production. Extensive commodity aid in the form of raw and semi-processed materials provided by Canada has helped increase domestic production and offset shortages of foreign

nge in many south and south-east nations.

ny of these countries have suffered sively from man-made and natural ers. Canada has responded in these of crisis with extensive support for ency relief, rehabilitation and re-uction programmes such as in adesh and in Vietnam. Such was ise with the refugee relief program-n the Indian sub-continent in 1971-d her continued support of similar ammes in Bangladesh and Vietnam.

'e have seen changes in emphasis in the Asian aid programme over the years", said Mr Gerin-Lajoie. "Developing nations now have the greater voice in decision-making as it affects their development. We respond to their requests for support of priority development requirements they have identified, on the basis of Canada's ability to finance those things it can do well.

"To have gotten from where they were in 1951 to where they are today is a remarkable tribute to the determination and diligence of these people. To reach their final objective—economic and social self-reliance—will not be easy. They face monumental problems of population control and food supply, as well as ecological and energy crises.

"But they are moving forward, determined to find their rightful place in our modern world. The outcome is not all that certain. However, with the proper concentration of human and material resources from developed nations, they will no doubt reach their goals".

—Canadian International Development Agency

GATT declaration at Tokyo

MINISTERIAL meeting of the Gene-greement on Tariffs and Trade. T) which held its three-day con-e at Tokyo from September 12 , to hammer out an agreed decla-n of principles for a new round of inational negotiations ended on an nistic note. The declaration adop-y the Conference, laid down guide-for the new round of talks for ing tariff barriers and remov-non-tariff barriers with special deration to the interests of the de-ing countries to help them in their ts to increase export earnings and note economic development.

he ministerial meeting recognised importance of the application of dif-ntial measures to developing coun-in ways which would provide spe-and more favourable treatment for exports. The Tokyo conference has the course for the trade negotiatons wn as Nixon Round to be held in eva in the next few weeks.

declaration

The text of the declaration adopted the GATT ministerial meeting at yo is given below:

1. The ministers, having considered report of the Preparatory Committee the Trade Negotiations and having ed that a number of governments e decided to enter into comprehen-multilateral trade negotiations in framework of GATT and that other ernments have indicated their inten-to make a decision as soon as pos-e, declare the negotiations officially n. Those governments which have de-ed to negotiate have notified the Dir-r-General of GATT to this effect, the ministers agree that it will be open to any other government, through a notification to the Director-General, to participate in the negotiations. The ministers hope that the negotiations will involve the active participation of as many countries as possible. They expect the negotiations to be engaged effectively, as rapidly as possible, and that to that end, the governments concerned will have such authority as may be required.

2. The negotiations shall aim to:

—Achieve the expansion and ever-greater liberalization of world trade and improvement in the standard of living and welfare of the people of the world, objectives which can be achieved, inter alia, through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade.

—Secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings, the diversification of their exports, the acceleration of the rate of growth of their trade, taking into account their development needs, an improvement in the possibilities for these countries to participate in the expansion of world trade and a better balance as between developed and developing countries in the sharing of the advantages resulting from this expansion, through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products. To this end, coordinated efforts shall be made to solve in an equitable way the trade problems of all participating countries, taking into account the specific trade problems of the developing countries.

3. To this end the negotiations should aim, inter alia, to:

(a) Conduct negotiations on tariffs by employment of appropriate formulas of as general application as possible;

(b) Reduce or eliminate non-tariff measures, or where this is not appropriate, to reduce or eliminate their trade restricting or distorting effects, and to bring such measures under more effective international discipline;

(c) Include an examination of the possibilities for the coordinated reduction or elimination of all barriers to trade in selected sectors as a complementary technique;

(d) Include an examination of the adequacy of the multilateral safeguard system, considering particularly the modalities of application of article XIX, with a view to furthering trade liberalization and preserving its results;

(e) Include, as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector;

(f) Treat tropical products as a special and priority sector.

4. The negotiations shall cover tariffs, non-tariff barriers and other measures which impede or distort international trade in both industrial and agricultural products, including tropical products and raw materials, whether in primary form or at any stage of processing in-

cluding in particular products of export interest to developing countries and measures affecting their exports.

5. The negotiations shall be conducted on the basis of the principles of mutual advantage, mutual commitment and overall reciprocity, while observing the most-favoured-nation clause, and consistently with the provisions of the General Agreement relating to such negotiations. Participants shall jointly endeavour in the negotiations to achieve, by appropriate methods, an overall balance of advantage at the highest possible level. The developed countries do not expect reciprocity for commitments made by them in the negotiations to reduce or remove tariff and other barriers to the trade of developing countries, i.e., the developed countries do not expect the developing countries, in the course of the trade negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. The ministers recognize the need for special measures to be taken in the negotiations to assist the developing countries in their efforts to increase their export earnings and promote their economic development and, where appropriate, for priority attention to be given to products or areas of interest to developing countries. They also recognize the importance of maintaining and improving the generalized system of preferences. They further recognize the importance of the application of differential measures to developing countries in ways which will provide special and more favourable treatment for them in areas of the negotiation where this is feasible and appropriate.

6. The ministers recognize that the particular situation and problems of the least-developed among the developing countries shall be given special attention, stress the need to ensure that these countries receive special treatment in the context of any general or specific measures taken in favour of the developing countries during the negotiations.

7. The policy of liberalizing world trade cannot be carried out successfully in the absence of parallel efforts to set up a monetary system which shields the world economy from the shocks and imbalances which have previously occurred. The ministers will not lose sight of the fact that the efforts which are to be made in the trade field imply continuing efforts to maintain orderly conditions and to establish a durable and equitable monetary system.

The ministers recognize equally that the new phase in the liberalization of trade which it is their intention to undertake should facilitate the orderly functioning of the monetary system.

The ministers recognize that they should bear these considerations in mind both at the opening of and throughout the negotiations. Efforts in these two fields will thus be able to contribute effectively to an improvement of international economic relations, taking into account the special characteristics of the economics of the developing countries and their problems.

8. The negotiations shall be considered as one undertaking, the various elements of which shall move forward together.

9. Support is reaffirmed for the principles, rules and disciplines provided for under the General Agreement.* consideration shall be given to improvements in the international framework for the conduct of world trade which might be desirable in the light of progress in the negotiations and, in this endeavour, care shall be taken to ensure that any measures introduced as a result are consistent with the overall objectives and principles of the trade neg[illegible] and particularly of trade libe[illegible]

10. A Trade Negotiations Co[illegible] is established, with authority, [illegible] account the present declaration, [illegible] alia:

(a) To elaborate and put into [illegible] detailed trade negotiating plans [illegible] establish appropriate negotiating [illegible]dures, including special procedure[illegible] the negotiations between develope[illegible] developing countries.

(b) To supervise the progress of [illegible] negotiations.

The Trade Negotiations Comm[illegible] shall be open to participating gover[illegible]ments.** The Trade Negotiations Com[illegible]mitee shail hold its opening meeting [illegible] later than November 1, 1973.

11. The ministers intend that [illegible] trade negotiations be concluded in 1975.

*This does not necessarily represent the views of the representatives of countries not [illegible] parties to the General Agreement.

**Including the European Communities.

r V. V. Giri may be the

ident of India, but it is in the tal of Andhra Pradesh that he ıs to feel most at home. There perhaps some nip in the air of twin cities which makes him more erant even than his usually exuber- self. This was perhaps why, in a d of characteristically extravagant usiasm, he declared in Hyderabad ntly that those who practised un- hability should be hanged. Now, t exactly does the phrase 'practising uchability' mean? It could be ar- l, for instance, that, where a caste du family or indeed a Muslim or a istian family has not been intermar- g with Harijans, it has in effect n practising untouchability. Espe- ly as most marriages in this coun- are arranged marriages, where a ily is not found to be marrying into Harijan community, it could be as- ed to have been guilty of a deliberate of avoidance. The President himself a large family of children and even rger family of grand-children. The sident's wife is known to be a ubi- ous matchmaker; it should be inter- ng to know whether there has been a ijan bride or bridegroom in the Giri sehold.

It is of course possible that the Pre- nt was not thinking in terms of inter- rriage or even 'interdining' when he ed for the death penalty for those practised untouchability. He might e had in mind only offences against relevant legislation such as caste dus forcibly preventing Harijans n using village wells or other rural nmunal facilities or urban public ities. If this is so, may it not be ask- whether the President has not been ilty of emotional incontinence? I would dily agree with him that the anti- ouchability legislation, which is al- dy on the statute book, should be en- ced strictly and applied in all its ri- ırs to the prosecution or punishment of enders. But I cannot take seriously the sident's prescription of the death alty for the offences in question. er all, all over the world, there is a vement for the abolition of capital punishment. In some countries the death penalty has already been abolished. In this country itself there is a movement in favour of this reform. In the circumstances, it seems to me to be outrageously incongruous for the President of this country to advocate with any seriousness the extension of the death penalty to a new crime or set of crimes. Mr Giri is supposed to be a Gandhian of sorts; so it is all the more a pity that he should consider the gallows to be the most appropriate engine of social reform.

The proceedings of the

latest session of the working committee of the prime minister's party have confirmed once again the moral ineligibility and the political unfitness of this organization to govern the country. One wrong policy after another has been followed and this has been pushing the country into a deep economic morass. Poverty is spreading with unemployment being generated on a mass scale. Agricultural progress is being thwarted or discouraged by pigheaded pricing or procurement policies. Investment in industry is being frowned upon and every conceivable obstacle is being placed in the way of the expansion of production. The structure of education is more and more getting out of alignment with the needs of the economy of the country for particular categories of manpower or such employment opportunities as may still be forthcoming. The family planning campaign is becoming a marginal diversion for the central or state governments. Public enterprises are drifting farther and farther away from prospects of profitability. Productivity has become a dirty word all over industry while industrial peace is conspicuous by its absence. The Bourbons in New Delhi, however, continue to scratch one another's back and ensure to themselves their collective comfort. Only Mr Dinesh Singh is a bad boy. He should be thrown to the food rioters in Mysore state, for he has run away with the cake which they may have been asked to eat since bread is not available.

These riots, apparently, are more severe or serious than similar riots earlier in Maharashtra or other states. The ruling party, which happens to be one and the same in this state and at the centre, no doubt finds it convenient to blame political or other mischief-makers for exploiting the people's distress or discontent and working up lawlessness and violence. But the fact remains that this rioting is not taking place in the air; it is directly related to the felt sufferings of ordinary men and women who are finding it increasingly difficult to cope with the high prices or shortages of essential commodities. In these circumstances, when citizens are being killed in police firings or as a direct or indirect consequence of mob violence, the strict standards of a democratic polity surely call for the resignation at least of the state government which is immediately involved. What is actually happening, however, is that the high command of the ruling party, assembled in a cosy family gathering in New Delhi, brazenly puts its rubber stamp of approval or even admiration on the way the prime minister and her government have been managing the economic affairs, particularly the food affairs, of the country.

Historically a coup has

been a normal way of conducting government business in Latin American countries. Even so, recent developments in Chile are too complicated in origin and motivation to admit of simplification in terms of generalizations, sweeping or otherwise. Allende might have been a man of good intentions. It is clear, however, that he did not know enough about the business of government to be able to translate his good intentions into policies or programmes productive of economic progress and, along with it, social welfare. That Chile needed to be master in its own house, particularly in the matter of conserving or exploiting its natural resources could hardly have been gainsaid, but it did not at all follow therefrom that government decisions or measures, which disrupted Chile's domestic economy and dislocated its foreign trade, were the best way of doing the right thing by the Chilean people. If Allende failed it was not because he juxtaposed democracy to fascism. He did not fall either because he ousted or gave battle to foreign political influence or business interests in Chile. He went down because, having won political power, he did not know how to use it wisely or well for the good of his people. No wonder Mrs Gandhi made an uneasy reference to the coup in Chile.

VB

MOVING FINGER

TRADE WINDS

World Bank Meet

R McNamara digressed om the prepared speech to nounce that the time schedule for the fourth replenishment of IDA funds had not en met. "As a result there now the danger of a complete rmination of IDA's activities xt July 1," he said. The fect of such a breakdown ould be "devastating" for ch nations as India, Banglash, Indonesia and Pakistan ho depend on the IDA for ajor support of their development programme, he added.

By lending $ 22 billion during e five year period 1974-78, e World Bank will implement the largest programme of chnical and financial assisnce to developing countries er undertaken by a single gency. The World Bank resident, Mr Robert S. Mcamara, told the Fund-Bank nnual meeting at Nairobi n September 24 that the Bank ad doubled its operations durg 1968-73 as compared with e previous five-year period y lending $ 13.4 billion. It as intended to expand both e IBRD and IDA lending t a comulative annual rate, real terms, of 8 per cent.

The lending during 1974-78 ill cover almost 1,000 projects e total cost, of which will ach $ 55 billion. The $ 22 illion new commitments will onstitute in real terms a 40 er cent increase over the 1964-8 period. The qualitative hange in the programme will e of an even greater significance than the increase in its ze, Mr Mcnamara said. "We lan to place far greater emhasis on policies and projects which will begin to attack the problem of absolute poverty".

FICCI Delegation for Japan

A ten-member delegation sponsored by the Federation of Indian Chambers of Commeree & Industry, and led by its President, Mr Charat Ram, left for Japan on September 22, to attend the Sixth Joint Meeting of the Business Co-operation Committees for India and Japan to be held in Kyoto on September 25 to 27, 1973. The Japanese delegation which will comprise representatives of 27 top-ranking business firms, will be led by Dr Shigeo Nagano, President of the Japan Chamber of Commerce and Industry. The agenda for the joint meeting includes discussion on the economic forecast of India and Japan; expansion of India-Japan trade; economic co-operation through capital and technical exchanges; and the role of the two countries in the economic development of Asia. There will also be discussion relating to Indo-Japanese cooperation in specific fields, such as agriculture, cotton textiles, marine products, steel, machinery, shipping and shipbuilding, petrochemicals, synthetic fibres, and fertilizers.

The Business Co-operation Committees, set up in 1966, aim at fostering friendship and understanding between the business circles of the two countries and at promoting trade and economic cooperation between India and Japan. The last meeting was held in New Delhi in December 1972. Besides the leader, Mr Charat Ram the delegation comprises of Mr K.K. Birla, Deputy Leader, and Messrs V.D. Chowgule, Mrs Sharayu Daftary, V.S. Dempo, R.P Goenka, S.S. Kanoria, D.N. Patodia, Ramnath A. Podar and G.L. Bansal, Secretary-General of FICCI.

Problems of Aluminum

The year 1973 is likely to be a bad year for the aluminium industry in the country. Mr. D.P. Mandelia, adviser to Hindustan Aluminium Corporation pointed out that on account of cuts imposed by all the states in the supply of power which have been relatively more severe in places where the aluminium plants are situated, production of aluminium has been seriously effected. The Madras Aluminium Company (Malco) was totally closed for months together, and the production of Indian Aluminium Company (Indal) was reduced by about 25 per cent. Hindustan Aluminium Corporation's (Hindalco's) production on an average from January to the end of August was short by over 11,000 tons but since last two months, while for Malco and Indal the cut in power supply has been partially restored, at Hindalco's plant at Renukoot in Uttar Pradesh the situation has been further aggravated, as over and above the 50 per cent cut imposed by the UPSEB. The state electricity board has denied supply of power under the "Emergency Assistance Agreement", which calls upon it to provide Hindalco with power whenever any of the corporation's two, 67.5 MW captive thermal units goes under maintenance stoppage. It is worth noting that out of total of about 1500 MW installed capacity of UP Electricity Board, Rihand's firm power is only 100 MW and thus even though Rihand lake's water level is low, it should not make much difference in the overall supply of power

Since 60 per cent of aluminium production is of electrical grade used by cable manufacturers and therefore ultimately supplied to the electricity boards, the above reduction in the production of aluminium will directly hit the generation and transmission programmes of the various electricity boards. The remaining 40 per cent production of aluminium is used for defence purposes, for the minting of coins and for the manufacture of utensils used by the weaker sections of the community who cannot afford utensils made of other costlier metals. The shortage of aluminium has affected many other industries also, especially industries in the small-scale sector manufacturing cables, and has caused unemployment to several thousands of workers.

The Planning Commission has estimated the demand for aluminium for the year 1973-74 at 274,000 tonnes. If the actual production for the year is taken into account, there will be a gaping shortfall of 100,000 tonnes in the year. Mr Mandelia pointed out that the industry is capable of meeting the estimated demand, if power is made available to it and it is enabled to work to full capacity. All the manufacturers have expansion plans which they have been obliged either to shelve or delay for want of power. Hindalco itself has got 15,000 tonnes expanded capacity lying idle for over a year. The installation of a further capacity of 25,000 tonnes in terms of its licence has had to be delayed on account of non-availability of power and delay in clearance from government regarding import licence, which is notwithstanding the fact that Hindalco has cut down its imported components to the bare minimum. If the entire shortage of 100,000 tonnes is to be met by imports, it will entail a foreign exchange spending to the tune of about Rs 40 crores.

Mr Mandelia stated that in order to help the government partially to get over the problem of power shortage, Hindalco has agreed to expand its own thermal station by putting up a 7[illegible] MW unit. Some three years ago Hindalco had signed an agreement with Yugoslavia for the supply of this plant, and the

of payment were very ...able.. But in the absence ... government's approval, ...eement fell through, and ...hen Yugoslavia has gone ...llar payment. However, ...proposals have been sub... to the government and ...waiting clearance. The ... prices of aluminium ...ts which were fixed ... back as May, 1971, on ...asis of inputs ruling in ... 1970, have become most ...istic, uneconomic and ...er-productive. The cost ...uts in last three years has ...by about Rs 900 per ton. ...s, overheads have con...bly increased on account ... reduced production and ...ded capacity, which was ... into account whilst ... the prices, not having ... into production for rea... stated above. The govern...'s notification issued in ... specifically provided that ...g prices would be in...ed if the prices of inputs ...ased but inspite of several ...ts this specific commit... has not been honoured, ...ded.

...robi Meet

...e "Committee of 20" of ... International Monetary ... on monetary reforms deci... on September 23 that there ... nothing to be done at ...obi on the subject and fixed ... 1974 as deadline for fina...g the outline of a new mo...y system. It was felt that ... conference was not an ap...riate forum for reaching a ...ement. The deputies of the ...mmittee of 20" would ... to give top priority for ...ng out problems of con...bility and the adjustment ...ess. A ministerial-level ...ing of the committee would ...w in January. It was ...ed that the outline would ...eady before the end of July. ...e there was agreement on a ...d outline, it would be ...ible to amend the articles ...e IMF and enact the neces... legislation in another year ...o. Meanwhile, the deve...ng countries have abandon...the idea of taking a joint ...d on international mone... reform for the time being. ... forum of discussion for the developing countries is the "Group of 24," which had a long but infructuous session at Nairobi. The group considered a 10-page document prepared by Sri Lanka, Algeria and Argentina. The document was essentially a commentary on the draft prepared for the "Committee of 20" meeting. India, however, suggested a wait-and-see attitude, and ultimately the group accepted this as the correct strategy. It was decided to treat the document as a working paper to be revised and made more incisive in future meetings. The communique issued at the end of the meeting was very brief and did little more than emphasise the need to link monetary reform with an increased flow of aid.

Indo-Turkish-Trade Agreement

Commercial ties between India and Turkey were placed on a firm footing through a Trade Agreement signed on September 9 1973, which imparts new dimensions to the trade between the two countries. It contemplates the availability of maximum facilities and follow-up measures, within the laws, rules and regulations of the two countries, towards the promotion of trade. It further envisages participation in trade fairs and exhibitions, exchange of visits of businessmen and trade delegations, and the evolution of a relationship between the trading organisations of the two countries. The Agreement was signed by Prof. D.P. Chattopadhyaya, minister of Commerce on behalf of India and Mr Ahmet Turkel, minister of Trade, Turkey, on behalf of his country. The agreement provides that the trade between the two countries will be in convertible currencies.

Two indicative lists of items available for export from India to Turkey and Turkey to India are appended to the Agreement.

Support Prices for Wheat

The union government has announced support prices for the indigenous red variety and the Mexican variety of wheat for the next rabi season. The support price for the indigenous red variety has been fixed at Rs 80 a quintal compared with the procurement price of Rs 71-74 in the last season. The support price of the Mexican variety will be Rs 85, marking an increase of Rs 9 over the procurement price last season. No announcement has yet been made about the indigenous common white variety and the superior variety for which the procurement prices in the last season were Rs 76 and Rs 82 respectively. The Agriculture minister, Mr Fakhruddin Ali Ahmed stated that the support prices fixed by the government were in line with the suggestions made by the chief ministers. The support prices decided upon by the government conform to guaranteed prices recommended by the Agricultural Prices Commission. For the indigenous common white variety and the superior variety (about which no announcement has been made) the APC had suggested guaranteed prices of Rs 85 and and Rs 90 respectively compared with the procurement prices of Rs 76 and Rs 82 in the last season.

Study Team on Handloom

A Study Team headed by Mr B. Sivaraman, Member of the Planning Commission will be set up to go into the problems of the handloom industry in the country. The high-powered Study Team will include Mr Abid Ali Ansari Mr Kondalakshman Bapuji, Mrs P. Jayakar, Mr M. Somappa and the representatives of Mysore, Tamil Nadu, Maharashtra, Andhra Pradesh, UP, Manipur, Assam and Jammu & Kashmir. Mr P.N. Kapoor, Jt. Secretary in the ministry of Commerce, the Textile Commissioner, and the representatives of the Reserve Bank of India and the banking department would also be associated with this panel. This was announced by Prof D.P. Chattopadhyaya, union minister of Commerce, recently at a meeting on handlooms attended by the representatives of the handloom weavers and central and state government officials. The Study Team will submit its report within three months.

Assistance for Art Silk

The chairman of the Silk and Rayon Textiles Export Promotion Council, Mr Bhogilal Manubhai N. Kothary, announced recently that a new export assistance scheme financed out of the funds collected through a levy on raw materials for the art silk industry was proposed to be implemented with effect from April 1. The government had already approved the scheme. The clearance by the income tax authorities was awaited. Meanwhile, the export of rayon and synthetic textiles had recorded an increase of 131 per cent during the five month period of April to August when they totalled Rs 8.81 crores against Rs 3.82 crores during the corresponding period of the last year. Mr Kothary hoped that the export target of Rs 18 crores comprising Rs 15.50 crores for fabrics and Rs 2.50 crores for other products set for the year 1970-74 will be achieved by the Council.

World Bank Assistance

India emerged as the largest single recipient of the World Bank group assistance during the year ending June. 1973, with commitment, totelling $564 million compared to $472 million in the fiscal year 1972. The Bank and the IDA, (an affiliate), commitments to India in the five year period 1969-1973 totalled $1,740 million compared with $780 million in the previous five years. The IDA credits alone accouted for $1.529 million. Of the $564 million in 1972-73, the IDA aid amounting to $494 million related to agricultural credit schemes in Madhya Pradesh and Uttar Pradesh, agricultural marketing in Mysore, agricultural education in Assam and Bihar. industrial imports, the public sector fertiliser project in Nangal, small-scale industry, telecommunications, electric

power transmission and the Bombay water supply project. The only Bank loan of $70 million went went to increase the foreign exchange resources of the Industrial Credit and Investment Corporation of India. The World Bank group's cumulative assistance to India at the end of June, 1973 stood at over $3696 million made up of 41 Bank loans, totalling $1,275.6 million and 54 IDA credits, totalling $2,420.6 million. In country-wise magnitudes of Bank-IDA loans, India tops the list followed by Brazil with $1.648 million, all of which represent the Bank's commercial loans as Brazil is not entitled to the IDA soft credits.

Indo-US Debt Settlement

The Indian government has proposed, and the United States had tentatively accepted, settling its $3,000 million debt for $100 million in cash and $900 million to be spent on the US operations in India and aid to neighbouring countries. Under terms of the proposal carried from New Delhi by US Ambassador Mr Daniel Patrick Moynihan, the remaining $2000 millon would be used to finance agricultural development, rural electrification, housing and other Indian projects. Under the proposal, all but $100 million that India would give to the United States in cash could remain in rupees. The debt was built up over the years mainly from the American grain supplied during the food grain shortages of 1960s. Mr Moynihan went to Washington to consult Dr Henry Kissinger, the Secretary of State and other high officials.

France Raises Bank Rate

France raised its bank rate on September 20 by one and half per cent to 11 per cent. The move was taken to counter inflation speculation against the franc.

India at SPOGA in Cologne

Indian articles for outdoor and indoor as well as sportswear will be shown at SPOGA in Cologne. This International Trade Fair of Sports Goods, Camping Equipment and Garden Furniture will be held in Cologne from October 7 to 9, 1973. A group of Indian exhibitors will take part in conjunction with the Sports Goods Export Promotion Council, New Delhi. In last year's SPOGA 17 Indian direct exhibitors took part in conjunction with the Sports Goods Export Promotion Council.

Trade with Surinam

Deputy Prime Minister of Surinam, Mr Harry S. Radhakrishun and union deputy Commerce minister, Mr A. C. George recently explored the possibilities of increasing the volume of trade between the two countries. Mr George stated that traditional and non-traditional goods could be exported from India to Surinam if direct and regular shipping facilities were made available. He hoped that, with the first arrival of the ship from India directly to Surinam in October, new avenues of trade would be opened up.

Rectiformer by HEIL

A 90,000 amperes rectiformer, the largest ever manufactured in India, for supplying power for the manufacture of caustic soda has been successfully built by the Heavy Electricals factory at Bhopal. This unit is among a few units of such large ratings so far manufactured in the world. Manufacture of power rectifier equipment in India was taken up at the Heavy Electricals factory at Bhopal about five years back. Prior to this the entire power rectifier equipment was imported. Bhopal factory have already supplied rectifier equipment for a variety of industries like chemicals, metallurgical, and also for traction. The largest rectifier equipment of 90,000 amperes was formally handed over to the Customer, Mr V. Nataraj of Standard Alkali Ltd, Thana, Bombay recently by Mr M. K. Ajwani, Manager, Rectifier Division. Mr Ajwani said that the factory had already manufactured and supplied rectifier equipment ranging from 2000 amperes to 40,000 amperes. The factory is well set for manufacturing still larger units to meet the requirements of chemical industries.

Soil and Water Conservation

The All India Conference of central and state government officers, on soil and water conservation, concluded its three-day session in New Delhi recently. The conference was inaugurated by Prof Sher Singh, union minister of state for Agriculture. The conference felt that the management of the country's natural resources of soil and water was not receiving adequate attention and that unless these resources were conserved and put to optimum use, there was little hope for any significant improvement in the standard of living of our steadily increasing population. The conference recommended that irrigated areas with improved water management, particularly canal irrigated areas, as this offered the quickest way to increase agricultural production, must also be [illegible] with drainage to [illegible] further loss of fertile [illegible] through waterlogging [illegible] salinity. The conference [illegible] of the view that soil and [illegible] conservation measures [illegible] form the core of any [illegible]gramme for the ame[illegible] of arid and drought-[illegible] areas if the menace of [illegible]ring droughts was to be [illegible]cessfully fought.

Loan for Electrification

The United Comm[illegible] Bank has sanctioned a [illegible] Rs 4.70 crores to the Maharashtra State Electricity Board for its intensive electrif[illegible] scheme of Jalgaon distr[illegible] A cheque of Rs 1.58 crore[illegible] the first instalment of the [illegible] was handed over by the [illegible] to the chairman of the MSE[illegible] recently. The scheme will be started on October 8 by chief minister of Maharashtra. [illegible] similar scheme for Yeotm[illegible] district was financed by the Central Bank of India in Ju[illegible] 1973. In Jalgaon 486 villages will be electrified and 1[illegible] pumps energised. The scheme will be completed in five years.

Readers' Roundtable

'Indiramania?'

Sir,

After reading the editorials and comments of the Moving Finger, in your weekly, since after the last Parliamentary Elections, one will be convinced of your tenacity in concentrating your attacks on one person in a country of 550 million people. The first line of your every editorial invariably contains the name of Mrs Indira Gandhi. That is how even her critics and opponents like you pave her way to dictatorship. Changing shelley's line a little "To fear and fear till fear creates from its own nightmare, the thing it contemplates."

Your disappointment (*Eastern Economist*, Sept. 7, 1973, Moving Finger) over the failure of the big press in exposing the Maruti Affair is quite understandable. However, on your part, you offer no more than an "attractive prize for an in-depth reporting" on the affair. I know not why an influential weekly like yours backed by the Birlas, the Chambers of Commerce of India and loca[illegible]ted within the whispering w[illegible] of the Capital, should not [illegible] investigation on its own. Wh[illegible] try to kill the scorpion by an[illegible]other's shoe? If required, the latest bugging instrument and mugging men can be had fr[illegible] the Nixon Embassy in Del[illegible]

I am no devotee of the P[illegible] Minister or her party. B[illegible] along, I have been feeling th[illegible] your views are prej[illegible] against the governm[illegible] economic policies. I for [illegible] expect objective and di[illegible]sionate thinking on [illegible] economic.

Your[illegible]
M. B [illegible]

Yeshwantnagar,
Poona.

COMPANY AFFAIRS

[Ga]rware Nylons

[GA]RWARE Nylons Ltd has [alre]ady implemented its ex[pan]sion programme to in[crea]se the nylon yarn capacity [to 1]244 tonnes per annum and [the] new plant is working satis[fact]orily. The company has [also] commenced the manufac[ture] of nylon chips suitable [for] plastic industry with a [cap]acity of 330 tonnes per [yea]r. It is significant to note [tha]t this product is being [ma]nufactured in the country [for] the first time and the pro[duc]t has been well received by [the] markets. The company [has] also received clearance [fro]m the government for the [im]port of machinery required [for] the manufacture of polyes[ter] filament yarn with a capa[cit]y of 360 tonnes per annum [an]d the negotiation for the [nec]essary foreign exchange [loa]n for the import of machi[ner]y is well under way. Mean[wh]ile the company has deve[lop]ed its own-know-how for [the] manufacture of polyester [chi]ps in its plant and this will [sa]ve considerable amount of [va]luable foreign exchange [wh]ich would otherwise have [be]en spent for the import of [pla]nt and machinery or for [th]e import of polyester chips. [Th]e turnover of the company [du]ring the year ended March, [31], 1973 increased by about [..] per cent. The profit, sub[je]ct to depreciation, develop[m]ent rebate reserve and taxa[tio]n, amounted to Rs 1.49 [cr]ores as against Rs 1.90 crores [in] the previous year. Owing to [he]avy provision for deprecia[tio]n and development rebate [re]serve of Rs 146.21 lakhs as [ag]ainst Rs 27.35 lakhs in [19]71-72, the net profit for the [ye]ar amounted to Rs 3.24 [la]khs only as against Rs 59 [la]khs in the preceding year. [T]he company's working during [th]e year was affected by all-round increase in the cost of raw materials, stores and wages and the reduction in the selling price of nylon yarn. The directors have recommended a dividend of 12 per cent on 21,60,000 equity shares which will absorb Rs 25.92 lakhs and it will be paid out of the general reserve.

Synthetics and Chemicals

The profitability of Synthetics and Chemicals will be adversely affected due to the reduction in the prices of Synthetic rubber effective from September 1. The cut in prices ranges between 5.5 per cent and 20 per cent and the loss to the company is estimated at Rs 1.25 crores for a full year. Due to the decline in profits the chairman, Mr Tulsidas Kilachand feared that the company may not be able to pay equity dividend for the current year. If the prices are not revised upwards the chairman felt that the company will incur losses in 1974 and in the following years. The company, therefore, will not be able to pay any dividend. The company has requested the government to examine the cost structure and fix fair prices.

Fibreglass Pilkington

Fibreglass Pilkington has reported encouraging progress during the current year, its profits and turnover so far being higher than those for the corresponding period of last year. The company has embarked upon a massive expansion programme. Its direct melt project for the manufacture of continuous filament from indigenous raw materials is expected to be commissioned by the middle of next year. This will enable the company to manufacture superior and more uniform product and save foreign exchange worth over Rs 50 lakhs a year. The company now manufactures continuous filaments of 'E' grade from imported raw materials. The company has also received the governments' approval for doubling its capacity of glass wool production.

Hindustan Brown Boveri

Hindustan Brown Boveri Ltd has received from the government a letter of intent for the extension of the collaboration agreement with Messrs Brown, Boveri & Co. Ltd, Switzerland, for a further period upto July 31, 1979. The company has also received a letter of intent from the government regarding the manufacture of telemetering equipment for the company's Goregaon Works in collaboration with Messrs Brown, Boveri & Co. Ltd. During the year the company obtained approval from the government for increase in the company's licensed capacities in respect of high tension air blast circuit breakers, transformers and power line carrier current equipment with a view to having optimum utilisation of the installed capacities in these items. After discontinuing the activities in the manufacture of ACSR and all aluminium conductors, the company has surrendered the related manufacturing licence to the government. The chairman Mr C. C. Choksi, has observed in his statement to the shareholders that with the enhancement of the company's existing industrial licensed capacities and new letters of intent received, as well as the approval of the government for continued collaboration with Messrs. Brown, Boveri & Co Ltd, Switzerland, there should be opportunities for the company to continue its policy of concentration on, and the expansion of, sophisticated product lines. He feels that while there is bound to be ample demand for the company's products it is to be seen to what extent resources would be available and whether environmental and economic conditions may restrain the demand and consequently utilisation of capacities. The existing power shortage which is generally expected to continue during the coming years promises on the one side increased demand for the company's products in the field of power generation and transmission and may on the other side dampen the demand in the field of power utilisation. Like any other industry the company may suffer from loss of production if electric energy is not available sufficiently. The order book standing at a level of more than Rs 20 crores can be considered satisfactory.

Indal

Indian Aluminium Company, Limited intends to issue a further 31,90,477 Ordinary Shares of Rs 10 per value at a premium of Rs 11 per share for a total issue amount of Rs 6.7 crores. Of the further shares, 12,42,132 will be offered to the existing Indian shareholders of the company in the ratio of one new ordinary share for every five ordinary shares held, 3,89,670 will be reserved for Unit Trust of India and Life Insurance Corporation of India and 1,00,000 reserved for employees of the company. The remaining 14,58,675 ordinary shares will be offered for public subscription to Indian nationals resident in India. An Extraordinary General Meeting of members of the company is being convened on October 16, 1973 to approve the share issue, for which consent of the Controller of Capital Issues has been received. The share issue proceeds will finance a part of the expenditure being made to expand Indal's metal production facilities at Belgaum in

Mysore, from 40,000 to 60,000 tonnes installed annual capacity. The company is nearing completion on the first half of this additional capacity and the present construction schedule contemplates completing the second half by around mid-1974. This expansion project, along with the related additions to fabricating facilities which have been proposed to government, envisages a capital expenditure of Rs 20.1 crores.

British Airways

British Airways made a group profit before interest and taxation of £33.9 million in 1972-73, its first year of operation. The net profit was £5.2 million. This compares with the previous years combined BEA/BOAC results of £13.2 million profit before interest and taxation and net loss of £ 3,00,000.

Firth (India) Steel

Firth (India) Steel Company Ltd has earned during the year ended March 31, 1973, a substantial profit of Rs 16.09 lakhs before providing for development rebate reserve and taxation as compared to Rs 15.18 lakhs in the preceding year. It is significant to note that this has been achieved in spite of six weeks of strike and lock-out during the year. The directors have recommended a dividend at the rate of 10 per cent on paid-up share capital for the third year in succession. This dividend will be free in the hands of the shareholders since it arises from industrial profits which are exempt from income-tax. It is expected that the company would be able to increase production and sales in the current year to more than Rs 1.80 crores. Sales in the first five months of the current year have exceeded Rs 75 lakhs as against Rs 26 lakhs in the corresponding period of last-year. The trend in the inflow of orders continues to be highly satisfactory and the company's order book is expected to be full, enough to cover six to nine months production by December 1973. The company is going ahead with phase III of its project for manufacture of billets before the end of May 1974 so as to secure the benefit of development rebate provisions. The company has already acquired land in Nagpur Industrial Area and firm orders have been placed for plant and machinery. With the commissioning of Phase III, the profitability of the company will be substantially higher since by then the company will have an integrated unit for complete manufacture of high speed and alloy steels.

Modi Spinning

Modi Spinning and Weaving Mills Co. proposes to issue bonus shares subject to the sanction of the government in the ratio of two shares for every five shares held. Besides the directors of the company have decided to pay a dividend of 12 per cent for the year ended April 30, 1973, the same as in the preceding year.

Unit Trust

The sale and repurcnase prices of the units of the Unit Trust of India were raised by five paise each to Rs 10.65 and Rs 10.35 per unit respectively with effect from September 18.

News and Notes

(Expansion and diversification)

Ashok Cement Ltd. has received a letter of intent for the manufacture of portland blast furance slag cement by setting up a split location plant at Asansol, West Bengal with an installed capacity of 260,000 tonnes. The site for the setting up of the plant has been selected and negotiations are being carried on for its allotment. Steps are also being taken for obtaining loans from the company's bankers. This unit will go into operation within 12 months after the financial sanctions have been received. The company has also received an another letter of intent for the manufatcture of portland blast fuanace slag cement by setting up a split location plant at Chandrapura in Hazaribagh district with an annual capacity of 236,000 tonnes. The company has also received yet another letter of intent to raise the capacity of steel castings from 2460 tonnes to 8600 tonnes per annum. An electic arc furnace of 5/6 tonnes capacity is being installed at an estimated capital cost of Rs 35 lakhs and is expected to be commissioned during the current financial year.

New Issues

Pradyumnna Steels Ltd promoted by the well-known Lohia family of Calcutta, having large interests in jute and plastics, is setting up a five-tonne electric arc furnace for the manufacture of 10,000 tonnes per annum of mild and carbon steel ingots and a rolling mill in the first phase of its expansion. The company has already acquired iand at Mouza Bamanmari in the Hooghly district of West Bengal. It is a backward area ideally connected by rail and road and only 26 kms from Calcutta. The construction work has already commenced and is progressing satisfactorily. The plant is expected to go on stream in the first quarter of 1974. It is negotiating with financial institutions for the rolling mills project. To raise a part of the cost of the project the company will be entering the capital market shortly with a public issue of Rs 12 lakhs in 120,000 equity shares of Rs 10 each at par. The total capital outlay on the project is estimated at Rs 56.25 lakhs and it will finance the share capital of Rs lakhs and the balance as loans from financial institutions. This also partly covers a part of the finance required for the implementation of the rolling mill project. In view of the rapid industrial growth, particularly in West Bengal, the directors anticipate no difficulty in marketing its products. Barring unforeseen circumstances the directors hope to pay a reasonable dividend from the very first year of the commencement of production.

Marathawada Alloy Steels Co. Ltd, proposes to put up at Chikalthana, near Aurangabad, a mini steel plant with an annual production capacity of 18,000 tonnes of mild steel and alloy steel ingots. Good progress has already been made in the implementation of the project. One of the 4/5 tonnes furnaces is under erection and the other is expected to be installed in June or July 1974. Construction of factory building has almost been completed to enable the commencement of the first phase of operations before the end of October. To finance this project the company will soon be offering to the public for subscription 175,000 equity shares of Rs 10 each. The capital cost of the project is placed at Rs 84.70 lakhs and it will be met from the proceeds of the issue of Rs 29 lakhs, a medium-term loan from SICOM of 45 lakhs and the

[illegible] subsidy of Rs 10.70 lakhs. The promoters hope that the company will be able to declare a handsome dividend from the first full year of commercial production.

Milk Food promoted by Jagatjit Industries, is establishing a milk food plant at Patiala in Panjab with a capacity to produce 3200 tonnes of dairy products, 600 tonnes of cheese and 3000 tonnes of ghee per annum. Initially the milk intake will be 40,000 litres per day which will go up to one lakh litres per day at a later stage. To raise resources the company will be approaching the capital market shortly with a public issue of 2,70,000 equity shares of Rs 10 each at par. This Rs 1.10-crore project will be financed by the share capital of Rs 45 lakhs, term loan from commercial banks of Rs 24 lakhs and IDBI deferred payment facilities of Rs 41 lakhs. The management expects that the turnover during the year ending March 1975 will be Rs 1.95 crores yielding a net profit of Rs 6.20 lakhs enabling the company to pay a maiden dividend for the year.

New Registrations

During the quarter ended June 30, 1973 the formation of company showed an upward trend as 169 companies were registered in the Eastern Region against 146 companies in the previous quarter. The total authorised capital of these new companies amounts to Rs 28,270.1 lakhs as against Rs 2004.91 lakhs during the previous quarter. Two companies transferred their registered office from other regions to this region. Of them one company transferred from New Delhi to West Bengal and another company transferred from Rajasthan to West Bengal. One company transferred its registered office from West Bengal to Assam. Five companies with an aggregate paid-up capital of Rs 4.34 lakhs went into liquidation while 39 companies with an aggregate paid-up capital of Rs 4.17 lakhs were struck off. Five companies in West Bengal and one company in Orissa issued prospectus offering shares to the extent of Rs 3.02 crores and Rs 0.55 crores respectively to the public. As many as 102 private limited companies with a total authorised capital of Rs 686.79 lakhs, 16 public limited companies with a total authorised capital of Rs 642 lakhs, one government company with an authorised capital of Rs 250 crores and two guarantee companies were registered in the state of West Bengal during the quarter under review. Five companies with a total paid-up capital of Rs 4.34 lakhs went into liquidation. While 39 companies with a total paid-up capital of Rs 4.17 lakhs were struck off. Twenty-five private limited companies with a total authorised capital of Rs 1,308.80 lakhs and two public companies with a total authorised capital of Rs 55 lakhs were registered during the quarter in Bihar state. Neither has any company gone into liquidation nor the name of any company struck off during the quarter. Six private limited and one public limited companies with a total authorised capital of Rs 25.80 lakhs and Rs 5 crores respectively were registered during the quarter in Orissa state. No company has gone into liquidation and no company's name has been struck off. Thirteen private and one public limited companies with total authorised capital of Rs 49.70 lakhs and Rs 2 lakhs respectively were registered during the quarter in Assam state. No company went into liquidation. 83 prosecution cases were launched during the quarter and 35 cases were disposed of. Out of these 35 cases, 18 were convicted and 17 were filed. 66 cases were pending at the end of the quarter.

Capital and Bonus Issues

Consent has been accorded to eight companies to raise capital amounting to over Rs 3.03 crores. Following are the details:

Camphor & Allied products Limited, Bombay, has been granted consent, valid for three months, for issue of bonus shares worth Rs 30 lakhs only.

Usha Martin Black (Wire Ropes) Ltd Calcutta, has been granted consent for issue of bonus shares for Rs 35,52,500.

Mather Greaves Ltd Bombay, has been accorded consent, valid for three months, to capitalise Rs 5.60 lakhs out of its general reserves and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 2 bonus shares for every 5 equity shares held.

Mahendra Oilcake Industries Private Limited, Rajkot has been accorded consent, vaild for three months, to capitalise Rs 7.50 lakhs out of its general reserves and to issue 7,500 fully paid equity shares of Rs 100 each as bonus shares in the proportion of one bonus share for every two equity shares held.

Karnatak Steel & Wire Products Limited, Banglore South, has given acknowledgement to their statement of proposals, valid for a period of 12 months for the issue of equity shares worth Rs 30 lakhs and preference shares worth Rs 15 lakhs. The proceeds of the issue are to be utlised for substantial expansion and diversification programme at their existing undertaking at Bangalore.

Canara Steel Limited, Udipi, South Kanara (Mysore State), has been given an acknowledgement to their statement of proposals, valid for a period of 12 months, for issue of equity shares worth Rs 40 lakhs, only. The [illegible] are to be [illegible] ing a Steel Ingot C[illegible] in the district of [illegible] (Mysore State).

Ravindra Steel Ltd [illegible] cutta has com[illegible] government its [illegible] issue capital under [illegible] the Capital Issues ([illegible] order, 1969, to [illegible] Rs 40 lakhs (inc[illegible] lakhs already raised [illegible] in 4 lakhs equity sha[illegible] 10 each, for cash at pa[illegible] of which shares [illegible] lakhs will be offe[illegible] subscription to [illegible] Melting (Mini Steel) Pl[illegible] Nagpur.

The Andhra Valley [illegible] **Supply Company Lim**[illegible] **Bombay,** has been g[illegible] consent, valid for 12 m[illegible] for issue of debentures [illegible] Rs 100.00 lakhs only [illegible] offered to public for cas[illegible] par.

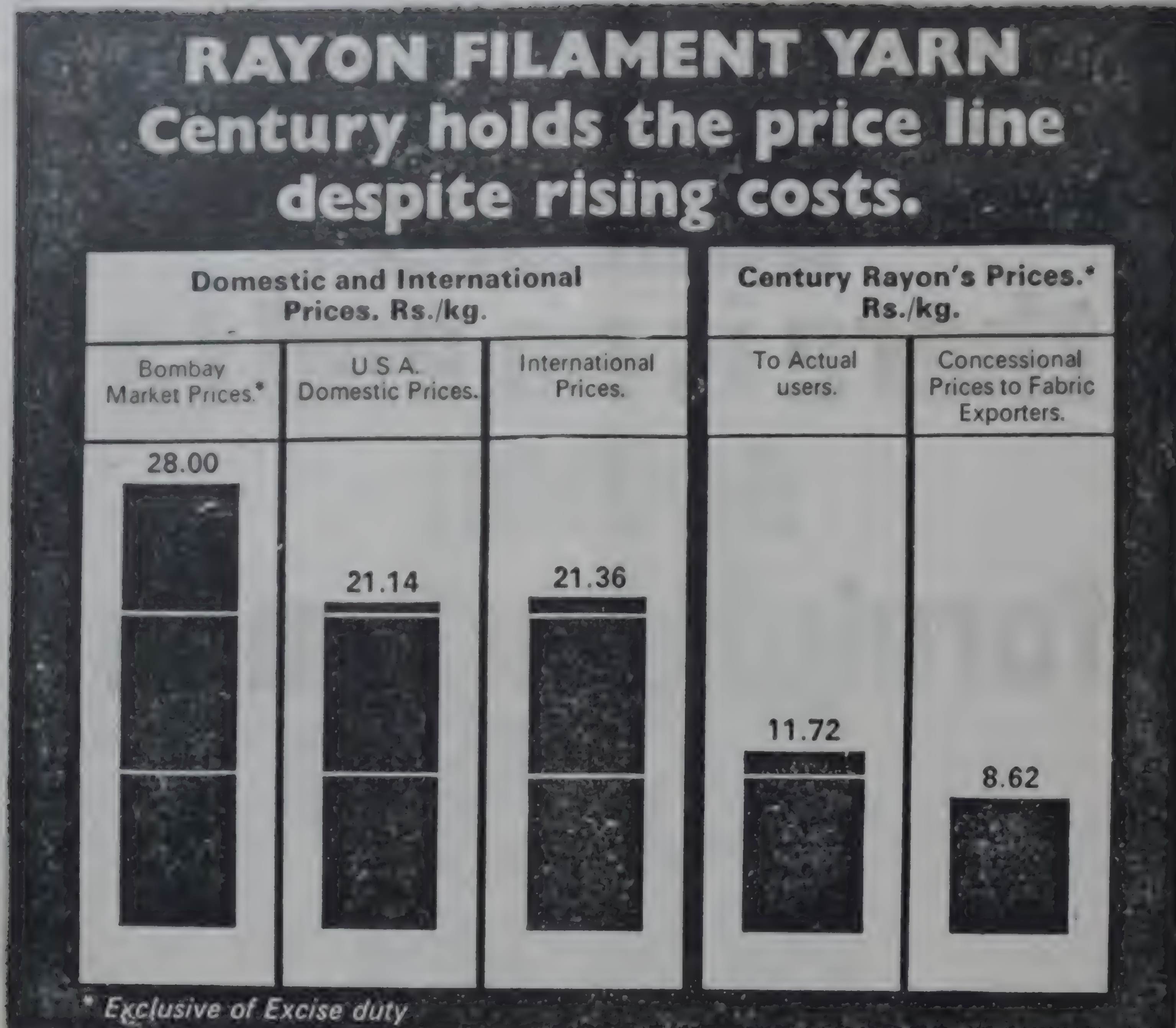
Interim Dividend

Hindustan Leaver ann[illegible] ced its decision to pa[illegible] interim dividend in respe[illegible] the year 1973, of 70 (sev[illegible] paise per share, subjec[illegible] deduction of tax, such [illegible] dend to be payable on [illegible] ber, 26, 1973, to shareho[illegible] registered in the books of [illegible] company at the close of [illegible] ness on October 10, [illegible] The register of members [illegible] the share transfer books [illegible] company will remain c[illegible] from October 11 to 25, [illegible] (both days inclusive).

Dividends

(Per [illegible]

Name of the company	Year ended	Equity dividend declare[illegible] Current year	Pre[illegible] y[illegible]
Higher Dividend			
Maneklal Harilal Spinning & Mfg. Co.	December 31, 1972	12.5	
Rajkumar Mills	December 31, 1972	10.[illegible]	
Ratnakar Shipping	March 31, 1973	7.[illegible]	
Vardhman Spinning & General Mills	March 31, 1973	[illegible]	
Consolidated Coffee	June 30, 1973	[illegible]	
Same Dividend			
Anand Electric Supply Co	March 31, 1973	[illegible]	
Nadiad Electric Supply Co	March 31, 1973	[illegible]	
Mahendra Mills	March 31, 1973	[illegible]	
Minerva Mills	October 31, 1972	[illegible]	
Gontermann-Peipers	April 30, 1973	[illegible]	
Universal Dyestuff	March 31, 1973	[illegible]	


RAYON FILAMENT YARN
Century holds the price line despite rising costs.
Domestic and International Prices. Rs./kg.
Century Rayon's Prices.* Rs./kg.
Bombay Market Prices.*
U.S.A. Domestic Prices.
International Prices.
To Actual users.
Concessional Prices to Fabric Exporters.
28.00
21.14
21.36
11.72
8.62
* Exclusive of Excise duty

INDUSTRIAL FINANCE CORPORATION OF INDIA

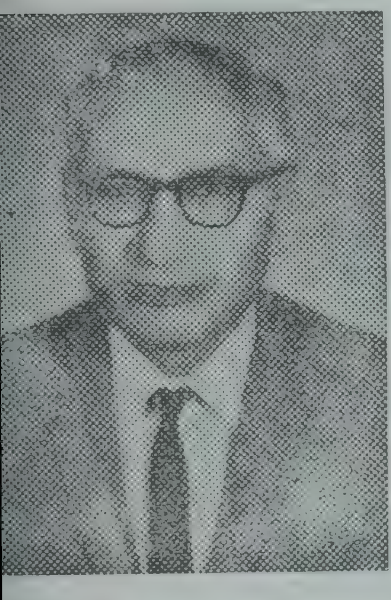
Statement made by Shri C. D. Khanna, Chairman, Industrial Finance Corporation of India, at the 25th Annual General Meeting of the shareholders of the Corporation held on the 27th September, 1973.

nds.

have great pleasure in enting to you the Annual ounts of the Corporation the Report of the Board irectors for the year en- the 30th June, 1973. As all know, the Corpora- completed 25 years of ice to industry on the 30th , 1973. The printed copies he Accounts and the Re- have been circulated to the shareholders and I t I can take them as read.

king Results for the Year

The working results for year have disclosed a ss profit of Rs 4.52 crores.



Shri C.D. Khanna

t of this, provision for ta- ion has been made to the ent of Rs 1.62 crores. The al amount of income-tax eady paid by the Corpora- n since its inception and t kept apart as provision the years for which tax essments have yet to be mpleted, aggregate Rs 94 crores. The total net fits of the Corporation ce inception amounted to 22.76 crores.

During the year, additions ade to reserves aggregate 2.34 crores. The total re- ves of the Corporation built out of taxed profits including the general reserve of Rs 10 crores, now amount to Rs 18.34 crores, which exceed the paid-up capital by Rs 8.34 crores.

The Corporation has declared a dividend of 6% for the year on its paid-up capital. It has been possible to increase the dividend to 6% as a result of the recent amendment to the I.F.C. Act which has removed the statutory ceiling of 5% on dividend.

Operations during the Year

3. During the year ended the 30th June, 1973, the Corporation sanctioned net financial assistance of Rs 46.15 crores for 90 industrial projects as compared with assistance of Rs 39.16 crores for 68 projects sanctioned during the previous year. Of the projects assisted, 48 were new projects accounting for about 60% (Rs 27.92 crores) of the total sanctions for the year.

The projects for which assistance was sanctioned during the year covered a wide variety of industries both traditional and non-traditional. The aggregate cost of projects for which assistance was sanctioned during the year is estimated at Rs 180.60 crores.

The sanctions during the year were spread over 15 States and two Union Territories. For the first time, the Corporation sanctioned financial assistance for a project in Nagaland.

During the year, financial assistance amounting to Rs 20.36 crores (about 44% of the total sanctions for the year) was sanctioned for 30 projects located in districts notified by the Central Government as less developed. The total estimated cost of these projects was Rs 70.09 crores.

Fifteen sugar co-operatives and two textile co-operatives were sanctioned assistance aggregating Rs 18.07 crores. Two projects in the joint sector were sanctioned assistance amounting to Rs 1.40 crores. The Corporation also sanctioned financial assistance amounting to Rs 2.85 crores to three public sector undertakings.

Financial assistance disbursed during the year amounted to Rs 32.95 crores, as against Rs 22.10 crores during the previous year. Cash disbursements during the year amounted to Rs 32.34 crores as compared with Rs 21.99 crores in the previous year.

Cumulative Sanctions and Disbursements

4. Over the last 25 years, the net comulative assistance sanctioned has amounted to Rs 439.82 crores covering 621 industrial projects of 565 concerns. This comprised rupee loans of Rs 300.87 crores, foreign currency loans of Rs 49.87 crores, underwritings and direct subscriptions to shares and debentures of Rs 36.91 crores and guarantees to the extent of Rs 52.17 crores. The total cost of 621 projects for which the Corporation has so far extended financial assistance is of the order of Rs 21.75 crores.

Cumulative disbursements amounted to Rs 373.81 crores or 84.9% of net total sanctions. Cash disbursements were of the order of Rs 322.11 crores. The total assistance outstanding was Rs 216.09 crores at the close of the year.

Foreign Currency Loans

5. During the year, a further line of credit for DM 8.00 million from the Kredi tanstalt fur Wiederaufbau o West Germany was allocate to the Corporation. With th allocation of this credit, th eleven lines of West Germa credit to the Corporation ag gregated DM 128.50 millio

An allocation of UK cre dit to the extent of £1.5 million was made to the Co poration by the Governme of India under UK India C pital Investment Loan, 197 With this allocation, the tot amount of U.K. credits ma available to the Corporati by the Government of Ind aggregated to £ 3.50 millio

As on the 30th June, 197 the Corporation had san tioned cumulative sub-loa in foreign currencies amou ing to DM 120.07 milli US Dollars 26.75 milli French Francs 13.01 milli and Pound Sterling 2.09 m lion, for an aggregate amou equivalent to Rs 49.87 cr es.

Assistance to Industrial Co-operatives

6. Upto the 30th Ju 1973, the total assistance co-operatives by the Cor ration amounted to Rs 105 crores in respect of 115 p jects; this was 24% of total assistance sanctioned the Corporation since its ception. The major port of the assistance to co-ope tives aggregating Rs 89 crores has gone to 87 su co-operatives, while Rs 12 crores was sanctioned to textile co-operatives. As tance was also sanctioned a co-operative each in the tiliser, jute and vegetable extraction industries. 47 operative projects assisted the Corporation are loca in the notified less develo districts.

The total cost of 87 operative projects in the

gar industry financed by the Corporation was Rs 186.12 crores, of which about 48% was contributed by the Corporation as long-term loans.

7. Industrial co-operatives have proved to be an effective instrument for rural development. The setting-up of sugar co-operatives with the assistance from the Corporation on an increasing scale has given a healthy stimulus to the rural economy. The establishment of sugar co-operatives has played an important part in the development of less developed areas especially by generating substantial employment in the rural areas.

Assistance to Less Developed Areas

8. The Corporation has all along been conscious of the need for rapid industrialisation of less developed areas. This is reflected in a significant way in the operations of the Corporation. Of the total assistance of the order of Rs 439.82 crores sanctioned for 621 industrial projects, upto the 30th June, 1973, about 28.6% of the assistance, i.e., Rs 125.88 crores, was sanctioned for 177 industrial projects in the notified less developed areas. IFCI has participoted jointly with other all-India Financial institutions in conducting industrial potential surveys in the various less developed States and is taking follow-up action on candidate projects identified in the surveys.

9. Since July, 1970, the Corporation has been extending concessional finance under a package scheme to projects located in the notified less developed districts areas. The scheme has recently been revised in the light of experience and has been further liberalised.

Under the scheme of concessional finance introduced in July, 1970, IFCI has sanctioned, till the 30th June, 1973, assistance totalling Rs. 21.22 crores for 26 projects.

Concessional finance extended by the Corporation would be in addition to the subsidy for projects in less developed areas which may be available under the relative Central Government and State Government schemes.

Bond Issues

10. In order to augment its resources, the Corporation placed on the market (in October, 1972 and April, 1973) two bond issues for Rs 10 crores and Rs 12 crores respectively with a maturity period of 12 years. Including the permissible 10% of the amount of the issues, the total amount of bonds allotted was Rs 24.17 crores. With these issues the total amount of bonds issued by the Corporation aggregated Rs 107.42 crores, of which the amount of bonds outstanding at the end of the year was Rs 85.17 crores.

Offices of the Corporation

11. Two new offices of the Corporation at Kanpur and Patna were opened during the year. Since the close of the year, three more offices at Chandigarh, Bhopal and Cochin have been opened bringing the total number of offices of the Corporation to fourteen. Steps are under way for opening offices at Jaipur, Nagpur and Poona.

Amendments to Industrial Finance Corporation Act

12. During the year, the Industrial Finance Corporation Act, 1948 was amended in the light of the experience of the working of the Corporation. As a result of the amendment to the Act, industrial projects organized as private limited companies have now become eligible for financial assistance from the Corporation.

An important amendment is the incorporation of a new Section in the Act for the establishment of a Benevolent Reserve Fund. This Fund shall be built up out of allocations from the annual profits of the Corporation to be utilised for socially desirable objectives, such as, meeting the cost of feasibility studies and project reports in respect of projects promoted by new entrepreneurs and technologists; meeting the cost of market and techno-economic surveys for development of industries in the less developed regions; for assisting projects promoted by technologists and new entrepreneurs by subsidising the normal lending rate of interest of the Corporation in respect of loans sanctioned to them; for promoting research in development banking and in financial and industrial management by creating chairs in universities; for training of personnel of financial institutions, etc. The Board of Directors have transferred a sum of Rs 40 lakhs out of the profits of the year to the Benevolent Reserve Fund.

Silver Jubilee Celebrations

13. The Silver Jubilee celebrations, of the Corporation included the following:-

(i) a Conference of concerns in the corporate sector assisted by the Corporation;

(ii) the First IFCI Silver Jubilee Memorial Lecture; and

(iii) the inauguration of the Management Development Institute.

14. The Corporation organised for the first time, a Conference of its constituents in the corporate sector in February this year with the objective of promoting a better understanding of the Corporation's policies and procedures. The Conference was inaugurated by the Union Finance Minister, Shri Y.B. Chavan, and was attended by senior executives from assisted concerns, senior Government officials and representatives of the State level and all-India financial institutions. The Conference provided a useful forum for exchange of views between the Corporation and its clients.

15. To commemorate the Corporation's Silver Jubilee, the Corporation instituted the IFCI Silver Jubilee Memorial Lecture which will be an annual feature. These lectures will be delivered by distinguished professionals on various aspects of development banking. The objective in instituting these lectures is to build up expertise [illegible] fessional literature in th[illegible] of development ban[illegible] also to honour profe[illegible] in the field of devel[illegible] banking. The first IFCI [illegible] ver Jubilee Memorial L[illegible] was delivered on [illegible] March, 1973 by Mr H[illegible] Erich Bachem, Me[illegible] the Board of Ma[illegible] Kreditanstalt fur Wi[illegible] bau (KFW). The [illegible] Mr Bachem's lecture [illegible] "New aspects of develo[illegible] banking with particu[illegible] ference to the promoti[illegible] small and medium size[illegible] dustries". Shri S. J[illegible] than, Governor of the Re[illegible] ve Bank of India, preside[illegible] over the function.

16. In my speech last ye[illegible] I had referred to the Man[illegible] gement Development Institu[illegible] te sponsored by the Corp[illegible] ration. This Institute h[illegible] been set up to provide trai[illegible] ing in modern managemen[illegible] techniques to the clients [illegible] the Corporation particularl[illegible] to new entrepreneurs an[illegible] technologists, who, for th[illegible] first time, promote an indus[illegible] trial project with financia[illegible] assistance from the Corpora[illegible] tion. It is also proposed th[illegible] the Institute would impar[illegible] training in development ban[illegible] king to the staff of the Co[illegible] poration at all levels as al[illegible] to the staff of the financia[illegible] institutions at the State an[illegible] all-India levels.

The Institute was inaugura[illegible] ted on the 8th March, 19[illegible] by Mr Hans Erich Bachem [illegible] KFW. Shri T.A. Pai, Unio[illegible] Minister for Heavy Industrie[illegible] presided over the function[illegible]

A broad-based Board [illegible] Governors has been consti[illegible] tuted for the Institute. Th[illegible] Board includes nominee[illegible] KFW, Ministry of Fina[illegible] and the Industrial Deve[illegible] ment Bank of India. T[illegible] other Members of the B[illegible] are eminent men in the f[illegible] of industry, economics, [illegible] ce, technical and exec[illegible] management. Dr B.K. M[illegible] who was formerly the D[illegible] ty Governor of the R[illegible] Bank of India as also [illegible] Vice-Chairman of the [illegible] trial Development B[illegible]

has been appointed as full-time Chairman of oard of Governors of nstitute. Senior faculty the process of being ed for the Institute and xpected that the Institute would start functioning end of this year.

ndustrial Scene

Although industrial ction in 1972 showed improvement over 1971, hortage of power in various parts of the country as a result of drought, became evident during latter half of 1972 adly affected the perfore of many of the cons assisted by the Corpon. As a measure of reo these concerns, the oration agreed in a numof cases to postpone the nent of instalments of cipal amount of loans due ne Corporation. Though power supply position has oved somewhat over the nt months, this important ent for sustained indusgrowth continues to be natter of concern.

peaking of the industrial ook in general, though a of pessimism is sounded several quarters, I am of view that there is no reato be disheartened. The ntry has already built a nd industrial base with possibilities of growth; present setback is a passing phase.

An encouraging feature of industrial scene is the dual but noticeable emerce of a class of new enpreneurs and technologists have shown considerable iative and enthusiasm in ablihsing medium-sized instrial ventures and this aus well for the future. Anher encouraging feature is eater awareness of the need professional management industry.

le of Nominee Directors

18. It has been the prace of the Corporation since inception to appoint its ofials as also non-official exrts on the boards of assisl concerns. In view of the recent guidelines received from Government, it is obligatory on the part of the Corporation to appoint its nominees on the boards of companies to whom financial assistance with a conversion clause is sanctioned. At present the number of assisted concerns of the Corporation on which the nominees of the Corporation are functioning is more than 200. The objective of having these institutional nominees is that they will be participating in the management of the assisted concerns, particularly at the policy level, in the interests of the concerns, the Corporation and sound public policy and not to interfere in the day-to-day working of the concerns.

Joint Financing

19. The Corporation has endeavoured to play its role in the field of industrial finance in close co-operation with other financial institutions like IDBI, ICICI, LIC and UTI. In recent years, there has been an increasing number of applications from major projects, seeking financial assistance jointly from the all-India institutions. In the financing of these major projects, a consortium approach is adopted by the financial institutions at the all-India level each contributing its share by way of loans in rupees and foreign currencies and underwriting of share capital and debentures. The members of the consortium not only take care of the large financial requirements of a project, but work in close co-operation with one another by mutual exchange of views and coordination of policies and procedures. Inter-institutional meetings attended by chief executives of the financial institutions are held every month under the auspices of IDBI. These meetings afford an opportunity for close coordination of activities of the financial institutions and have proved extremely useful.

20. I would like to refer to the criticism voiced frequently regarding the delays involved in joint financing by the institutions. I will not say that this criticism is entirely without substance. I would like you to appreciate the various issues involved in the matter. With your permission, may I dwell briefly on this point.

21. As I mentioned in my speech last year, the industrial sector in the country today has now a range and depth which permits the setting up of major and complex projects. These projects require considerable project planning. Appraisal of the adequacy of the project planning undertaken by the promoters and appraisal of the technical, financial, economic and managerial viability of the project does take some time and such detailed appraisal is in the interest of the project itself.

Financial institutions often provide financial assistance to cover by and large 80 to 85% of the capital cost of a new project while the promoter provides about 15 to 20%. Working capital requirements are financed by banks. The bulk of the financial requirements of the project are, therefore, met by financial institutions which operate with public funds. With such a large stake in the project, it is but natural that the financial institutions should satisfy themselves about the viability of the project from all angles.

Another aspect of joint financing is the fact that the financial institutions are autonomous bodies with separate boards of management and it is necessary that these bodies have an opportunity to take an independent view of the project being financed. As such, despite a considerable degree of coordination among the financial institutions in joint financing of projects, the ultimate decision regarding a project is necessarily taken by the respective boards of management on the advice of their advisory committees and other experts.

The growing complexity of the major projects and the substantial stake of the financial institutions in the project being financed, make a thorough scrutiny of the viability of the projects imperative. In my opinion, it would not be in the interest of the project to dispense with such close scrutiny.

22. The financial institutions have, however, taken a number of steps to streamline the procedures involved in joint financing of projects. As I mentioned earlier, the Inter-Institutional meetings which are held every month, provide an informal machinery for the exchange of views and coordination of activities of the financial institutions. The financial institutions accept an application for financial assistance on the application form of any one of the institutions and they do not insist, contrary to the criticism often heard, on separate applications on their individual forms. The financial institutions again often undertake joint site inspections and appraisal of projects. While the existence of separate boards of management requries preparation of separate appraisal reports by the respective financial institutions, the appraisal of the project itself is often undertaken at the same tim jointly by the technical an financial officers of the con cerned institutions. The criticism that separate appraisal are always undertaken by th financial institutions in th case of joint financing, do not represent the true pi ture.

23. Once the financial a sistance is sanctioned by th financial institutions, investig tion of title to the property be mortgaged and legal doc mentation is undertaken pri to disbursement of assistanc Some time-lag between san tion and disbursement unavoidable because the ass ted concern has to comp with several important cond tions precedent to disburs ment of the loan, such raising of share capital, c taining of Government cle ances, etc. It is, howev important to note that formalities connected with completion of documentati etc. do not come in the w

of the implementation of the project. On the strength of the Letters of Intent given by the financial institutions sanctioning assistance, the commercial banks are prepared to provide necessary bridging finance for the project. As a result, implementation of a project can proceed as planned. Here again, the criticism that delay in the disbursement of funds affects the implementation of the project is not valid. On their part, the financial institutions are constantly examining ways and means of reducing the time-lag between the sanction of assistance and its disbursement.

So far as the Corporation is concerned, it has already undertaken a number of steps to facilitate speedy disbursements. It has full-fledged legal departments both at Head Office and branches which undertake all legal work including investigation of title of properties to be mortgaged and legal documentation, instead of leaving the same to the care of outside lawyers and solicitors. With a view to minimising the time-lag between sanction and disbursement of financial assistance, the Corporation has standardised legal documents required to be executed and has introduced the concept of printed documentation for term-loans. These arrangements, apart from being economical to the borrower concern, have resulted in a considerable saving of time in the completion of legal formalities which, in turn, leads to expeditious disbursement of assistance.

To sum up, joint financing procedures have been evolved keeping in mind the large financial requirements of the major and complex projects, the substantial stake of the financial institutions in the projects to be financed and the need to expedite the implementation of the projects. Acceptance of a common application by the financial institutions, joint appraisal of projects, and the arrangements for bridging finance by commercial banks taken as a whole are calculated to ensure the planned implementation of the project. The scope for further streamlining of procedures is also constantly being examined by the financial institutions.

Some Reflections

24. On the occasion of the Silver Jubilee Year of the Corporation, it would be appropriate for me to look back on the achievements of the Corporation and to think of the tasks that lie ahead. The Corporation has come a long way since it was established in 1948 as the first development bank in the country. The scope and extent of its activities have grown over the years. For nearly a decade, the Corporation's assistance was confined to providing rupee loans. In 1957, the Corporation sanctioned for the first time underwriting assistance and in 1958, guarantee facilities for deferred payments on imported machinery. In 1960, the Corporation started providing loans in foreign currency. Now, for more than a decade, the Corporation has been providing the full range of long and medium-term credit facilities in the fields of direct assistance for industrial projects. The Corporation has also been paying special attention to the financing of industrial co-operatives, starting with the assistance sanctioned to a sugar co-operative in 1950. Today, the Corporation is the premier institution in the country engaged in the financing of industrial co-operatives. In 1970, the Corporation extended its facilities to public sector projects established as public limited companies. With the recent amendment of the IFC Act, the Corporation has been authorised to finance private limited companies which were until then not eligible for assistance from the Corporation. The Corporation, which had all along been giving special attention to projects in less-developed areas, announced in July 1970, a scheme of concessional finance for projects located in notified less-developed districts. Another important dimension of the Corporation's activities is the financing of major projects jointly with other all-India financial institutions which has gained prominence in recent years.

25. While discharging its responsibilities as a development bank, the Corporation has over the years accumulated considerable experience having financed more than 600 medium and large industrial projects in a wide variety of industries and in an everchanging economic setting. The Corporation's procedures have evolved over the years based on lessons learnt from past decisions and they are being continuously streamlined and standardised.

26. A difficult area of the Corporation's activities as a development bank is the rehabilitation of projects in difficulties. While the number Corporation continues to grow from year to year, some of them are likely to run into difficulties for a variety of reasons. As a development bank, we are interested in the rehabilitation of sick projects in the interest of employment and production and, only as a last resort, we would like to enforce our legal rights for fore-closure of mortgage. In order to ensure that the problems of rehabilitation of projects in difficulties receive prompt and adequate attention, the Corporation has established at its Head Office an Advisory Services Department consisting of experts. In due course, the Department would also provide advice and guidance to new entrepreneurs on technical and financial matters. The advisory services being offered by the Corporation, it is hoped, would be an useful addition to the range of services it offers to industry.

27. The problems of development banking are complex and there can be no substitute for practical experience gained through continuous experimentation. Changes in policies and procedures and organisation should follow in the light of experi- [illegible] in the IFC Act have [illegible] the Corporation [illegible] and [illegible] ponsive to the national [illegible] rities and policies in the [illegible] of industrial finance.

28. The Corporation [illegible] now to prepare itself [illegible] tasks ahead. Looking [illegible] there are two impo[illegible] in which the Corporation [illegible] have to play a more [illegible] role than in the past, [illegible] duction in regional [illegible] ces and active enco[illegible] to new entrepreneurs.

29. While more than [illegible] ter of the total [illegible] sanctioned by the Corp[illegible] has gone to projects in le[illegible] developed areas, we are [illegible] cerned at the paucity of [illegible] applications from the le[illegible] developed areas. It is be[illegible] increasingly realised that [illegible] couragement of industries [illegible] the less-developed areas involves considerable [illegible] of promotional activity by various agencies concerned including the development banks. This is an area in which the Corporation has only recently made a start and it must gear its organisation to play a more active role than hitherto. If a steady stream of applications in respect of well-prepared projects has to be generated, it is essential that suitable institutional machinery is established in the less developed States to undertake the sequence of activities involved in project development such as search for project ideas, preparation of feasibility and project reports, provision of consultancy services, guidance relating to Government policies and regulations, a package of concessional finance etc. The Corporation, with its considerable experience of financing medium and large projects in a wide variety of industries can make an useful contribution in this sphere. The Corporation has already made a beginning by undertaking jointly with other [illegible] institutions, surveys of industrial potential in various [illegible] developed States and [illegible] tion of Inter-Institutional Groups in those States to take

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he Corporation is also
g jointly with other
ions feasibility studies
didate projects identi-
the survey reports. The
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the Corporation has
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technical assistance to
evel financial institu-
While the Corporation
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ponsibility for promo-
work in the less-deve-
areas, it is important
cognise that the State
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re, our intention to
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ing promotional work.
It is now a declared
al policy to encourage
entrepreneurs to enter
y. A number of steps
o be taken if this policy
be effectively implemen-
he results of promotio-
work relating to project
pment which I referred
lier, should open up new
unities for entreprene-
enter industry. New
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in the application of
in implementing and
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Management Develop-
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mentioned in my speech
ear, an important hur-
hich the new entrepre-
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t idea, is the lack of
s capital. For a number
sons, it is desirable that
romoter of a project has
onable financial stake in
roject and according to
resent policy of the fin-
institutions, the pro-
s are generally required
ntribute about 15% of
project cost in the form
uity. It is not always easy for a new entrepreneur to provide this contribution. Unless some institutional machinery is established to assist a new entrepreneur in raising the nucleus capital, he would not be in a position to go ahead with the project. It is, therefore, imperative that this aspect of promotional activities should receive increasing attention.

31. To sum up, promotional activities in less developed areas and encouragement to new entrepreneurs in tangible ways would add new dimensions to the Corporation's activities in the years to come. The Corporation would have to devote more time and attention to this aspect of activities in the years ahead.

Staff Welfare

32. A Staff Welfare Fund jointly with other financial was created in the Corporation two years ago. This year, as in the past two years, a sum of Rs 1 lakh is being transferred from the profits of the year to the Staff Welfare Fund. The Fund is being utilised for opening holiday homes for the staff at different centres in the country, and also for the award of scholarships for professional studies to the children of lower and middle level employees of the Corporation. So far holiday homes have been established in Puri, Ootacamund, Bangalore and Pachmarhi.

As a social security measure for the employees, the Corporation has provided personal accident insurance cover, and also group life insurance cover with the Life Insurance Corporation of India for the entire staff of the Corporation. These welfare measures are in addition to benefits like contributory provident fund, gratuity, medical facilities, leave fare concession, etc., which are being provided to the staff of the Corporation.

Work on the housing colony for the Corporation's staff in Delhi has been taken in hand.

Changes in the Board

33. The Central Government nominated Shri R.V. Raman, Secretary to the Government of India, Ministry of Industrial Development as a Director in place of Shri B.B. Lal. The Industrial Development Bank of India nominated Shri C.S. Venkat Rao and Shri Bishnu Banerjee as Directors respectively in place of Dr V.V. Bhatt and Shri G. Ramanujam.

On behalf of the Board, I take this opportunity of thanking Shri B.B. Lal, Dr V.V. Bhatt and Shri G. Ramanujam for their valuable services and keen interest they took in the deliberations of the Board. I would also like to place on record my thanks to all the present Directors on the Board for their valuable co-operation and wise counsel.

Acknowledgements

34. The Corporation is grateful to the assistance extended by Kreditanstalt Fur Wiederaufbau of the Federal Republic of Germany, Overseas Development Administration of the U.K. Government, the United States of America Agency for International Development and Banque Francaise du Commerce Exterieur of France. Our relations with these foreign friends have been very cordial and we look forward to having still closer ties with them. I also wish to place on record our appreciation of the co-operation and assistance received from the various Ministries and Departments of the Government of India, State Governments and the all-India financial institutions.

I would also like to express, on behalf of the Board, our gratitude to the members of the Advisory Committee for their expert knowledge and experience placed at the disposal of the Corporation and to the non-offical nominees on the Boards of Directors of assisted concerns, for looking after the interests of the Corporation.

On behalf of the Board, I would also like to express our appreciation of the dedication with which the General Manager, other officers and staff of the Corporation at all levels have worked. The relations between the management and the members of the staff have remained cordial and I would like to thank the staff for their co-operation.

Friends, I thank you for attending the Annual General Meeting and hope the Corporation shall continue to have your co-operation and goodwill in full measure in the years ahead.

THE INDIA CEMENTS LIMITED

Speech of the Chairman, Rao Bahadur Ramjeedass Iyer.

The following is the speech of the Chairman, Rao Bahadur Ramjeedass Iyer, at the Twentyseventh Annual General Meeting of the India Cements Limited, held at Madras on September 20, 1973.

Friends,

On behalf of the Board of Directors and on my own behalf, I extend a cordial welcome to you to the Twenty-seventh Annual General Meeting of your Company.

Before proceeding to the main business of the day, I have to perform a melancholy duty. One of the founder directors of the Company, Sri S.N.N. Sankaralinga Iyer passed away on 18th October, 1972. He was the person who conceived the idea of your cement factories and he was one of the pioneers amongst the Industrialists of the South. Your Company has suffered a grievous loss in his passing away. His demise leaves a great void in our midst which cannot be easily filled. He was associated with the Company right from its inception and was all along a tower of strength and support to the Management. He was a self-made man and built up a reputation for keen entrepreneurship which has left its mark on many industries in this country. I request your permission to convey our condolences to the members of the family of the late Sri S.N.N. Sankaralinga Iyer.

Rao Bahadur Ramjeedass Iyer

1. The Economic Scene:

The economic scene in the country is dominated by two factors. One is the mounting shortages of essential goods and services. The other is the steady increase of deficit financing by the Government. The year under review closed with a distressing insufficiency in agricultural production. Inspite of the claims made for the success of the green revolution, it is now evident that Indian agriculture is still dependent on the monsoon and that the monsoon is likely to be inadequate periodically. It has therefore become necessary to import huge quantities of food-grains, which is a sad commentary on the effectiveness of agricultural planning over a period of 25 years.

It is common knowledge that the waters of the Indian rivers are not fully utilised. In any system of agricultural planning, the full utilisation of the available waters should receive the highest priority. Yet one has witnessed over the years nothing more than an alternation between temporary satisfaction during years of good harvests and heroic denunciations during times of failure. One may mention in this connection the inter-State disputes regarding the utilisation of river waters in respect of practically all the major rivers. There is little doubt that unless a truly national outlook is brought to bear on the question and the internecine disputes for the use of water between State and State are rooted out, the menace of unexpected crop failures will occur in the future as in the past.

The policy of the Government in resorting to deficit financing on an increasing scale year after year is one of the major causes for the steep rise in prices that is taking place. It is reported that the deficit financing in the three months of the current financial year has been Rs 380 crores as against Rs 75 crores earmarked for the Centre in the Union Budget for 1973-74. For the year 1972-73 deficit financing was of the order of Rs 848 crores as against Rs 550 crores in the revised estimate and Rs 251 crores originally assumed in the Budget. The Finance Minister has said that this increase in deficit financing has been necessitated by payment of interim relief to Central Government employees, increase in Defence outlay, earmarking of funds for food imports and subsidising grain supplies through the public distribution system. Here is a vicious circle in which cause and effect got mixed up, but it cannot be denied that such financing is a major cause for the steep rise in prices. There is little use in asking for a wage freeze or a price freeze when money is being pumped into the economy without a corresponding rise in production. Even at the cost of slowing down the Plan projects, it is worth-while controlling the ever increasing quantities of money in circulation.

The expression "Plan-holiday' is generally misunderstood. When there has been a set back, the economy must be given time to recover. It is dangerous to push a sick economy. This is the time to consolidate and re shape the plan, instead of indulging in grandiose plans which will strain the economy to breaking point. To plan for an expenditure of Rs 52,000 crores at this stage is impractical; besides, if the plan is carried out as it stands, there is a 20% increase in costs over the plan estimate.

2. Nature and dimension of the problems of Cement production:

One may legitimately wonder whether the Government, including the Planning Commission, and the general public are aware of the nature and dimension of the problems that face the cement industry.

To begin with, it is
rally agreed that the c
suffering from an
tage of cement. This
to numerous restrictio
controls on sales leadi
tably to adulteration
one hand and black-m
on the other. This is a
lerable situation and
justified only as a te
expedient which will no
be required as soon as
tions improve and enou
duction is generated to
the increasing demand.

It is in this context t
dimension of demand
be appreciated, The pre
installed capacity is abo
million tonnes, accord ng
official estimates. The pr
production is about 15 m
tonnes. There is thus a
of about 6 million tonne
ween production and ins
capacity. The Five Year P
envisages increasing capac
as to bring it up to 33 m
tonnes at the end of the P
period. In other words, the P
envisages almost a doubl
production.

A cement plant, takes abo
five years to come into fu
production. Thus if all th
facilities required to install th
new capacity like capital, ava
ability of machinery etc. a
ready *at the present mome*
then there is a fair chanc
the target being achieved at th
end of five years. The cost
installing a cement plant ha
been steadily going up. So
years ago it cost Rs 150 - p
annual tonne of produ
Today it varies betwe
Rs 450/- to Rs 600/- per ton
Even if one takes the low
figure of Rs 450/- per t
the capital required to pro
the additional 15 million t
is in the region of Rs 7
crores. Can we say that
steps have been taken to m
lise this amount of cap
By this I mean not m
finding the finance but p
it in position, i.e., makin
available to those who
prepared to invest in the i
try irrespective of wheth
is in the public or in the pr
sector. All that has been
so far is to estimate t
quirements and talk ab
This is sometime called
in depth', but it does not

As things stand at one may safely venture hat the plan targets are likely to be achieved.

re is another aspect of blem. A distinction has ade between new pro- by means of new units nging up the produc- the existing units to full capacity as possi- ere there is a gap of 6 tonnes. It may be to reduce the margin production and capa- some extent. But if past nce is any guide, it will ise to bank on any pro- above 80 to 82 per capacity. This is partly the difference in age of alled machinery, but it much more to certain factors like availabi- power, transport, and ch of which poses pro- of its own. A careful ation of these problems the inevitable conclu- at none of these three re- will be able to meet the mand. There is no use n a dreamland of rosy ation. Facts have to be and no prognosis is the name which does not for a certain percentage rtage of all these three . Therefore, one is to conclude that the capacity utilisation dur- next few years will be order of 80 to 82 per This is an average which ns to maintain produc- nothing more than the t level of about 15 tonnes, with perhaps iderable additions here here. One would also give a warning that his production is depen- n adequate replacement raises technical as well ancial problems. The cal problems relate to pply of machinery in Very few Indian fabri- are able to keep to a chedule of delivery. The ial problems, which are onerous, relate to the of funds for replace- which, in turn, depends Government allowing a of depreciation which ted to the actual replace- cost and not a historical percentage supposedly based on the life duration of the machinery and certain other factors.

Recent experience confirms the apprehension of the producers that shortages of coal, power and transport cannot be got over in the immediate future. All these are in short supply at present and all of them have competing claims and therefore require to be rationed.

The recent failure of power supply in the country should be a lesson to the planners and the people alike. Simply stated, the lesson is that a country which plans for large scale industrialisation cannot afford to tie-up its requirements of electric supply with hydel projects as the major source. Although, by and large, the thermal-hydel ratio for the country is slightly in favour of the thermal units, yet this masks the real nature of the problem: which is, that necessary thermal power is not available at the site where large industries are located. If one takes Tamilnadu as an example, it will be clear that heavy power is required in places like Coimbatore, Tirunelveli, Madurai, Trichinopoly, Mettur and Madras. These are the places where adequate thermal power should be made available as the basic source of supply, leaving the hydel power to be a wholesome supplement. Adjustment of differences in cost of production, differential prices for the use of power, and other such problems are incidental and should not be allowed to thwart the dominant objective of ensuring power supply under the varying meteorological conditions of this country. If such a step is not taken, then we would have failed to learn from experience and become the victims of a fatalistic philosophy which has always been levelled against us as a national defect. Planning is a process of social engineering. Its sole justification is that it anticipates trouble and meets it more than half way, instead of allowing the trouble to manifest itself and then running round for solutions. Applying this philosophy to the problem of power, sound planning should take into account the fact that the monsoon is likely to fail in the future also in a five or ten year cycle according to some experts, and in any event, periodically, and the national loss sustained by such failure is colossal. It is to be hoped that the crisis that has occurred during the current year will be sufficient to teach a good lesson and that the future planning for power will be based on facts and not hopes.

The same economic approach has to be made for coal and transport. The shortages in coal supply are partly man-made and partly natural, indeed, much more man-made than natural. I make a distinction between these two factors because the latter is also affected by want of transport. Although the carriage of coal by steamer is costlier than all rail route, this kind of coal transportation has also become impossible because no ships are available. From the point of view of the cement industry, the result has been devastating. In your company, the receipt of coal during the last six months has been about 40% of requirements. There are many ways in which the problem can be solved but basically there is no escaping the fact that no amount of substitution or manipulation will solve the problem permanently and that the mining of enough coal and the provision of enough transport is the only ultimate solution. For the present and the immediate future, however, it is not merely safe but absolutely necessary that provision be made for a certain percentage of shortages in both. These are additional arguments in favour of estimating actual production at 80 per cent of installed capacity. No doubt, it is possible to reduce the impact of shortages in various ways. To what extent and under what conditions of support and subsidy can oil be substituted for coal, where and how sea transport can be used to supplement rail transport, or road transport be used for shorter distances in supplying the finished product—these are solutions which will have to be resorted to during periods of shortage. Your company has studied these problems carefully. At the same time I would like to say that the impact of the short supply of coal is likely to be more adverse in the immediate future. During the past months there was a cut in electric supply. Now that electricity is fully available, short supply of coal is a matter of much greater concern. I wish to assure you that we have urged on the Government that proper steps should be taken to implement these alternative steps through support and subsidy.

I am afraid that I have not painted a bright and optimistic picture of the present and the future. But I shall be failing in my duty to you and to the general public if I do not present a true picture. Such a presentation is not merely correct inherently, but is also necessary in order to plan the future properly and adequately. One cannot escape the conclusion that such planning is conspicuous by its absence and perhaps will come into existence only when the situation gets worse and not better.

3. Retention price of cement

In the context of increasing costs, the cement industry has naturally asked for an increase in the retention price paid to the producer. Last year I brought to your notice the nature and incidence of the steady increase in cost of production, arising from increase in the price of raw materials, the cost of transport and heavy Government taxation. I also pointed out that this increase in cost per tonne was Rs 16.41 between 1966 and 1969. Against this the company was compensated to the extent of only Rs 5.50 per tonne with effect from the 16th of April 1969. I also pointed out that at the time of reporting last year there had occurred a further increase in cost to the extent of Rs 7.23 per tonne. Since then costs have again gone up by nearly Rs 6.21 per tonne as a result of interim wage increase (effective from

[illegible] 1972 at the rate of Rs 25 per month per worker), increase in pitsmouth cost of coal, imposition of additional surcharge on electricity and increase in freight rate on the movement coal and gypsum. These increases have obviously come to stay and the industry should be thankful if they do not increase further, although with the present rate of inflation, they are likely to.

It is in this background that the request of the industry to the Government for an overall increase in the retention price to a level of Rs 150 has to be appreciated. We have asked for this general increase along with others. We have urged these points before the Tariff commission. Apart from the detailed written replies, your company had an opportunity to orally represent the case at a public enquiry session of the Tariff Commission recently. More recently the Government have sanctioned an interim increase of Rs 10.—per metric tonne from September 15th, 1973. This relief is undoubtedly welcome and to some extent will ameliorate an otherwise difficult situation. But one should not exaggerate the value of this increase. Firstly, it has been granted after half the year has passed and even under conditions of full production it will be available for only 6 months of the accounting year. Secondly, it is available only in terms of actual quantities produced.

As far as one can envisage actual production is more unlikely to exceed 80% in view of the scarce supply of coal, inadequacy of transport and the distinct probability of a power cut during coming months. While therefore the interm increase in price will help somewhat, any real relief to the industry will arise only after the nature and quantum of prices asked for by the industry is conceded. The interim increase can therefore be treated only as a passing relief to prevent a difficult situation becoming worse.

4. Future of the Cement Industry and Government Policy:

The future of the cement industry is very largely tied up with Government policy. With high interest rates prevailing in the market and liquid deposits in banks themselves paying upto 7½ per cent and even more, it will be next to impossible to raise sizable sums in the open market for expansion or new production. In the circumstances institutional financing has necessarily to play a leading role. To this should be added the need for a facile and encouraging investment policy by the Government. For example, it is necessary that financial institutions should relax the proportion of 20 per cent stipulated as initial countribution by the promoters. This proposition may work in the case of small industries but it certainly will not work for the heavy industries whose capital cost runs into several crores. Further, in the present conditions of the money market and the lesser attractiveness of equities, it is also necessary that the debt equity ratio should be changed in favour of the former. There is also on reson why banks should not be instructed to adopt a policy of reducing the margine for lending in view of the dire necessity for more funds for the industry and the availability of huge lendable surplus in the banks.

The ideological approach of Government towards industrial enterprises has also inhibited expansion. I have earlier referred to the point that, of the two methods of increasing production, i.e. starting of new units and expanding the capacity of existing units, the latter has necessarily to be given a higher priority, because the cost of expansion is less than the creation of a new units, and the increased production can be achieved more expeditiously. But Government policy oscillates between ideological anxiety to prevent large houses from expanding and the need to increase production. From an international standard, India's "large" houses are only "medium" sized, and the concept of "viability" is a global one depending on many factors like new processes 9 new materials and new methods of reducing cost. Size is but a consequence of these factors. Therefore, it is not enough if Government promises an occasional relaxation of the so called monopoly or large unit rules, but there should take place a change of policy which recognizes the economic need of large-scale production and the organisational investment advantages inherent in the larger units of management. There is no use in trying to have the cake and eat it, and also sell it; which is what the Government is trying to do.

5. Dividend:

In my report to you last year, I referred to the small reduction of dividend from 9 to 8 per cent on the equity shares. I then stressed to importance of maintaining a reasonable rate of divided because 70% of our shareholders hold less than 500 shares each, and more than 40% less than 200 shares. This is, therefore, a company of small holders to whom the dividend is an important source of income. Last year, the dividend was maintained only at 8 per cent because of a steady erosion of profits since 1966-67. This was in accordance with our commitment to the Industrial Development Bank of India and the Industrial Finance Corporation of India. For the current year, due to the various reasons that I have explained already, there has been a substantial loss of the order of Rs. 36 lakhs. We have, therefore, to deplete our reserves in order to maintain the dividend even at 8 per cent. In the interests of the shareholders and the company alike, we have maintained the dividend at the rate of 8 per cent this year also. I am sure all of you will realise that this is the very best that could be done in the circumstances.

6. Research and Development:

The Government are taking a keen interest in the research and development activities of industrial units. The cement industry comes under the category of basic industries. Although at present there is a shortage of supply in relation to demand, the scope for further development is immense and from the point of view of the ultimate potential of demand it may be truly said that we have touched only the [illegible] of the problem. For [illegible] a national scheme for [illegible] housing and decen[illegible] warehousing alone wi[illegible] up the demand out of [illegible] portion to present supp[illegible] more forward looking [illegible] in respect of roads wi[illegible] lead to an increase in [illegible] The extent to which ce[illegible] can be substituted for [illegible] for railway sleepers ha[illegible] receive adequate atte[illegible] These are only a few in[illegible] and can be multiplied. Th[illegible] developments, however, [illegible] not come about except on foundation of careful rese[illegible]rch, pilot studies, market su[illegible]veys and like. Your compa[illegible] has always taken the view th[illegible] money spent on research a[illegible] development is well wor[illegible] while from a long term po[illegible] of view and those who rel[illegible] research and development [illegible] immediate profits or consid[illegible] that at a time of heavy dema[illegible] no expenditure need be incu[illegible]red on them are taking a ve[illegible] shortsighted view.

Gentlemen, I have taken [illegible] considerable time in dealin[illegible] with the affairs of the Compan[illegible] for I feel that it is necessa[illegible] for me to explain to you [illegible] detail the troubled phase th[illegible] Cement Industry and yo[illegible] Company have been passin[illegible] But there is no reason to de[illegible]pair or lose hope as I hop[illegible] better news will follow. I a[illegible] sure that given the necessa[illegible] climate and the facilities, th[illegible] company will reach its form[illegible] health and vigour.

7. Staff Relations:

The year that conclude[illegible] was a year of trial for o[illegible] staff. There was an All-Ind[illegible] Labour strike in August 19[illegible] and in February we had, mu[illegible] against our desire, to impose [illegible] lay-off and salary out due [illegible] the power cut. Our staff p[illegible] up with these conditions a[illegible] gave us their unstinted coop[illegible]ration and hard work dur[illegible] the year. The relations wi[illegible] labour and staff at the fac[illegible]ies and H.O. continue to b[illegible] cordial as usual. The Com[illegible] looks forward to the con[illegible] cooperation of the Labour a[illegible] staff in the coming years.

NOTE [illegible]

THE ALUMINIUM INDUSTRIES LIMITED

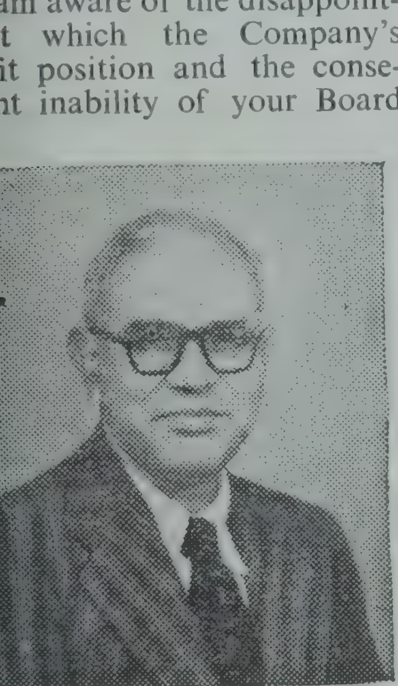
Chairman's Statement

lressing the Twenty-Seventh Annual General Meeting of the Company he Registered Office of the Company at Kundara on Wednesday, September 1973, Mr. S. Narayanaswamy, Chairman, said :

nds,

nave much pleasure in welng you to this the Twentynth Annual General Meetof the Company. The ort and Accounts for the ended 31st March 1973 been circulated to you time ago. With your I shall take them as

am aware of the disappoint t which the Company's it position and the consent inability of your Board



Mr. S. Narayanaswamy

Directors to recommend somewhat widely anticited payment of arrears of vidend on the preference pital of the Company and only less-widely anticipated yment of a token dividend the Equity Capital, has used among the two classes Shareholders. As one who er the years, is the frequent cipient of shareholder's let's which naturally seek inrmation about gainfulness of rrent operations of the mpany. I can testify the sense of mild frustraon over the pass-over of vidends, which has come er the members of the Comny, particularly at a time hen investment incomes have come valuable gap-fillers in e home budgets of fixed income groups, who are fighting a losing battle against spiralling living costs.

The Year's Operations:

The Company stepped up the tempo of its operations during the year, as is evident from the fact that sales increased to Rs 1300 lakhs, the highest so far reached by the Company against Rs 1118 lakhs in the year 1971-72. With the sale of products by our two new Divisions, namely Machinery and Switchgear increasing progressively, though not to the extent anticipated and with a higher output of Solidal, the sale of bare conductors which are the Company's primary products, fell from 72% of the aggregate in the previous year to 60% in the year under review. This is in line with our own expectations.

The profits made during the year were just adequate to wipe out the carry forward loss of the Company and utilize the spillover of Rs 5.38 lakhs for adding to the Development Rebate Reserve. The unabsorbed Development Rebate now stands at Rs 42.25 lakhs, which will be absorbed out of the profit of coming years. The two new Divisions at Hyderabad and Mannar have enlarged their operations, involving corresponding increase in working capital during the year. This explains the increase in overall interest outgoings during the year by about Rs 7 lakhs, notwithstanding the cutback on deposits interest rates offered by the Company.

Conductor Division :

Your Board's thinking in the last two or three years is that ALIND should increase its emphasis on manufacture of sophisticated, multi-strand conductors and leave over the simpler varieties to be handled by production units, that may find them more remunerative by reason of lower overheads. Since we have started manufacture of capital equipment like heavy stranders in our own Hyderabad factory, we expect to erect the requisite machines in the course of the year at Kundara, which should tone up the present tenuous profitability margins on bare conductor manufacture. Precarious margins of profit on bare conductors during the year, were a function of the enhanced installed capacity for conventional conductors in India and the increasing competitiveness of tenders made by manufacturers to Electricity Boards.

There was a marginal increase in the output of bare conductors during the year to 11,355 tonnes from 11,172 tonnes in 1971-72.

Steel Products Division :

The decision taken last year to expend our Steel Products Division from 6000 tonnes to 18,000 tonnes capacity in two stages, came in for phased implementation, the Company having received the necessary Letter of Intent for stepping up the capacity from 6000 to 11,500 metric tonnes per annum. The additional equipment is under manufacture by our Hyderabad unit, while the civil works to create the additional shop floor area at Kundara is already under way. The relatively satisfying profit margins on and mounting demand for steel wire, have encouraged your management to expand the present facilities at Kundara.

Machinery Division:

The Machinery Division increased its output by 25% during the year. The Division carries a reassuring order book and there is every indication of a better demand for capital equipment by manufacturers who are either expanding facilities or seek to replace obsolescent machines. By reason of higher cost of steel and boughtout components, we have been obliged to put up selling prices of machines, in line with other makers of capital equipment. I am glad to say that while this ensure gainfulness of operations fo the Division demand fo our products has not flagge but has indeed gone up ALIND-MIYAZAKI machine have already establishe a reputation for their hig quality in the country. I wis to thank our Japanese colla borators Messrs Miyazakis fo their continued interest i our Machinery Division.

Switchgear Division:

The Switchgear Divisio produced goods worth Rs 9 lakhs against Rs 57 lakhs i the prior year and here agai we should have done eve better, but for our finding som bought-out components an castings not conforming to th rigorous specifications require and fresh supplies taking tim Indeed power-cuts in othe States began to slow dow supplies from important supp liers — a feature that aggrav ted during the first half of th current year. With the term nation of power-cuts in a States, the situation has show improvement and it is o hope that the flow of materi will remain unchecked. Ste have been taken to go in manufacture of 11 kV Swit gear and we expect our fi products to come out in N vember this year. Meantim we are awaiting clearance our application to Governme for manufacturing 132 Circuit Breakers — whi would make for our establis ing a fairly comprehens range of circuit breakers Manner. I wish to thank c French collaborators M/s D lle-Alsthom for their sustain co-operation in making c Switchgear Project a succes

Exports :

Our export sales have touch Rs 40 lakhs during the ye The value of export ord awaiting completion is Rs lakhs. The bulk of these ders are for bare conducto

However, a Government notification issued on 16th June 1973 has omitted ACSR conductors from the list of exports eligible for cash subsidy at 15%, causing embarrassment to all those who were negotiating sizeable export of ACSR, on the assumption that the subsidy was in force. Indeed since the subsidy is allowed to continue for Covered Aluminium Conductors as well as All-Aluminium Conductors, manufacturers assumed the omission of ACSR in the 16th June notification to be mere inadvertence and asked for confirmation that it was so, particularly when external preference for Indian conductors was in most part for ACSR. Stepping up prices specified in tenders made abroad to protect the assumed profitability. when Government withdraws particular subsidies, cannot exactly enhance the popularity of potential exporters with buyers abroad. Indeed finalizing export contracts in the wake of acceptance of tenders made in global competition, is itself a time consuming and arduous exercise. Frequent changing or chopping of incentives can abate the ardour of the exporter, particularly when domestic markets are gainful and easy to sell in. Is it too much to hope that Government would restore the cash subsidy on ACSR?

Consultancy Division:

The Division has so far helped in establishing two small cable units at Hyderabad and Mavelikara in Kerala, which have gone into commercial production and are doing well. Two more units are under erection at Bangalore and Coimbatore and these are expected to be commissioned very shortly.

Research & Development:

Our R&D personnel have been responsible for developing a Two-head Paper Taping Machine that would manufacture transformer winding strips and wires which is good import substitution. The Three-core Concentric Neutral Cable manufactured by the Cables Division has, on our representation, been accepted by the Central Water & Power Commission for use by State Electricity Boards. A great measure of development work has been undertaken by the Machinery Division at Hyderabad in designing wire working machines to suit Indian market requirements and one of such machines of completely ALIND design—a Fine-wire Drawing Machine — has been placed on the market.

The Outlook:

The operations of the Company during 1972-73 have brought home to us somewhat forcibly the degree of dislocation to manufacture that can be caused by power-cuts in neighbouring as well as remote States. Engineering units all over the country have experience of this unpleasant impact, while disturbances to production programmes are directly related to the degree of dependence on *adhoc* external sources for supply of components. With many manufacturers going in for captive generation sets to bridge the gaps in System supplies of power, we have reason to hope for reduced uncertainty in suppliers keeping to time schedules.

The direct impact of power-cuts on our Hyderabad and Hirakud units has been to reduce output at both centres, while timely deployment of available power at Hyderabad helped our Machinery Division keep up its schedules. We kept our Cable unit closed at Hyderabad for the duration of the power-cut.

While we are well poised in all our Divisions to work to rated capacity and we have a reassuring order book in all Divisions, we are confronted presently by aluminium metal shortage. The two largest producers, namely Hindustan Aluminium Corporation and the Indian Aluminium Company have notified this Company, that they may not be able to deliver us metal against the allocations made by Government, in quantities that would keep our units in full production. We gather this is due to the Renukoot plant of Hindalco in U.P. and the Belgaum plant of Indal in Mysore being obliged to operate substantially below capacity, by reason of power disputes with the relevant State Governments. This is far from good news for the Cable Industry in the country and for the Electricity Boards, which have massive programmes of transmission and distribution line erection — to fill in backlogs of electrification schemes. In the interests of power development, those road-blocks to production must be removed forthwith — becuase the alternative is to import the deficit in metal at prevailing high world prices. Indeed we have to reckon in the process with global shortages of this metal and the customary remote delivery dates quoted by foreign suppliers. The situation is one that must cause concern to our Planners and Electricity Boards alike. We at the consuming end can only hope that subsisting differences would be resolved with speed and normal domestic production and supplies resumed.

The Power Gap :

The Government of India and the Planning Commission are currently engaged in speedy sanctioning schemes for generation of thermal power and in assorted cases for augumenting hydel power—to make up for lost time. I referred at some length in my speech last year, to the then impending power crisis and to the need for urgent action. It is unfortunate that Government should have failed to act on the first sight of mushrooming smoke, but waited to see the tongues of raging flame before summoning the fire engines. This is costing the country dear in terms of reduced production of goods, high cost of captive power generation that puts up production costs, avoidable capital investment in generators and larger layout of foreign exchange in import of crude oil, what time the Middle Eastern countries that produce crude oil are poised to drive hard bargains with us on the price front. With action currently being taken by Delhi to sanction schemes, the power gap may perhaps afflict us for another three or four years, on an optimistic estimate.

The above developments render it necessary for me to take a cautious view of the ..., notwithstanding that the Electricity Boards are placing massive orders for power and distribution conductors with ... companies, in some cases with the support of IDA Loan facilities.

General:

Our relations with ... have remained cordial throughout the year.

I would like to take this opportunity to convey ... thanks to Shri B.V.D. M..., our Managing Director for the fine work done by him during the year.

Shri S. Peer Mohammed relinquished his office as General Manager at the end of the year and took up an important assignment with the Government of Kerala. I would like to place on record the Board's appreciation of the fine services rendered by Shri Peer Mohammed to the Company during the period of his office, initially as Works and Sales Manager and later as General Manager.

In his place Sarvashree K. N. Menon and N. Satyanathan have been appointed as General Managers. I would like to thank the two General Managers for readily taking over the responsibilities and for carrying out measures of internal re-organization at the Supervisory levels.

I wish to convey the Company's thanks to the Life Insurance Corporation of India, the Industrial Credit and Investment Corporation of India, Ltd, the Industrial Development Bank of India, Unit Trust of India the Kerala Financial Corporation and the Andhra Pradesh State Finance Corporation for their sustained interest in the Company's progress. I wish to thank all our bankers for the assistance provided throughout the year.

I wish to express the grateful thanks of the Board to all ranks of Supervisory staff and workers at the four centres of production and the Regional Offices for the fine work done by them during the year.

N.B. This does not purport to be a report of the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

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OFFICIAL wholesale prices easured by the official in- with the year ended March as 100) registered a rise 0 per cent to 239.1 during , 1973 as against 232.1 for 1973. The index for June was higher by 20.8 per when compared to June . This rise of 3.0 per cent e general index has been ributed mostly by 'food les' and 'industrial raw erials' which have gone up .1 and 5.8 per cent res- ively. The position of the aining constituent groups as follows. 'Fuel, Power, nt, & Lubricants' (+0.7 per), 'Chemicals' (+0.1 per), 'Machinery & Transport ipment' (+1.3 per cent), anufactures' (+0.7 per cent) 'Liquor & Tobacco' 0.9 per cent.

d Articles

The sub-groups index for eal' moved up by 2.7 per t to 258.1 due to an increase the prices of all the items ler this sub-head. Higher ces of gram, moong and ma- r raised the index for lses' by 0.7 per cent to 5.6. The price of arhar and d, however, fell on the ole, the index for 'food ins' went up by 2.2 per cent 279.6. The index for 'food ins' at this level was also her by 19·4 per cent when mpared to the level of June 72. The sub-group index for uits & vegetables' advanced 3.0 per cent to 274.9 due to ise in the prices of potatoes, ions and oranges. However, the price of bananas declined. The sub-group index for 'milk & milk products' rose by 6.2 per cent to 270.6 due to an increase in the prices of milk and ghee. The prices of all the edible oils recorded a rise and consequently the sub-group index for 'edible oils' rose by 3.8 per cent to 324.7. A sharp rise of 19.6 per cent to 385.0 in the sub-group index for 'fish, eggs & meat' was caused by higher prices of all the items. The sub-group index for 'sugar & allied products' moved up by 2.0 per cent to 296.4 owing to an increase in the prices of gur and khandsari. The price of sugar, however, receded slightly. 'Other food articles' recorded a rise of 1.1 per cent to 191.6 because of an advance in the prices of spices & condiments, tea, betelnuts, salt and processed food. However, the price coffee witnessed a fall.

Liquor & Tobacco

The index for this group receded by 0.9 per cent to 245.2 due to a fall in the prices of raw tobacco. The price

Index Numbers of Wholesale Prices by Group & Sub-Groups

(Base 1961-62=100)

Groups & Sub-groups.	June 72	May 73	June 73	Percentage change June 1973 / May 1973	Percentage change June 1973 / June 1972
1	2	3	4	5	6
Food Articles	*227.8*	*271.6*	*282.6*	*+4.1*	*+24.1*
Food grains	234.1	273.5	279.6	+2.2	+19.4
Cereal	217.0	251.2	258.1	+2.7	+18.9
Pulses	311.0	374.0	376.6	+0.7	+21.1
Fruits & Vegetables	205.3	266.9	274.9	+3.0	+33.9
Milk & milk products	236.1	254.7	270.6	+6.2	+14.6
Edible oils	201.6	312.9	324.7	+3.8	+61.1
Fish, eggs & meat	278.1	322.0	385.0	+19.6	+38.4
Sugar & allied products	262.6	290.5	296.4	+2.0	+12.9
Others	162.3	189.5	191.6	+1.1	+18.1
Liquor & Tobacco	**216.1**	**247.4**	**245.2**	**—0.9**	**+13.5**
Fuel, Power, Light & Lubricants	**177.2**	**187.8**	**189.2**	**+0.7**	**+ 6.8**
Industrial Raw Materials	182.4	267.1	282.5	+5.8	+54.9
Fibres	156.0	201.7	206.6	+2.4	+32.4
Oilseeds	206.4	334.7	357.2	+6.7	+73.1
Minerals	150.2	144.7	144.9	+0.1	— 3.5
Others	180.0	249.4	269.6	+8.1	+49.8
Chemicals	**200.5**	**209.2**	**209.4**	**+0.1**	**+ 4.4**
Machinery & Transport Eqpt	**166.0**	**172.9**	**175.1**	**+1.3**	**+ 5.5**
Electrical machinery	169.3	175.6	175.7	+0.1	+ 3.8
Non-electric machinery	174.5	184.2	188.8	+2.5	+ 8.2
Transport equipment	147.7	150.0	150.0	—	+ 1.6
Manufactures	**178.7**	**186.6**	**187.9**	**+0.7**	**+ 8.2**
Intermediate Products	**208.8**	**231.4**	**232.6**	+0.5	**+14.1**
Finished Products	166.4	175.7	177.0	+0.7	+ 6.4
Textiles	170.2	176.5	176.6	+0.1	+ 3.8
Cotton manufactures	164.4	172.1	175.3	+1.9	+ 6.6
Jute manufactures	196.5	188.6	178.4	—5.4	+ 9.2
Silk & Rayon manufactures	131.8	131.2	131.7	+0.4	— 0.1
Woollen manufactures	211.6	324.7	324.7	nil	+53.4
Coir mats & mattings	187.8	201.4	201.4	nil	+ 7.2
Metal products	194.2	204.3	206.1	+0.9	+ 6.1
Non-metallic products	157.4	162.3	165.2	+1.8	+ 5.0
Chemical products	154.5	159.2	160.2	+0.6	+ 3.7
Leather products	99.1	100.1	102.6	+2.5	+ 3.5
Rubber products	159.3	160.6	161.3	+0.4	+ 1.3
Paper products	137.3	139.6	142.6	+0.7	+ 2.4
Oilcakes	193.3	303.2	316.6	+4.4	+63.8
Misc. products	124.2	124.7	121.5	+3.8	+ 4.3
All Commodities	**197.9**	**232.1**	**239.1**	**+3.0**	**+20.8**

Source: Ministry of Industrial Development, Govt. of Indi

of tabbacco manufactures, however, moved up.

Fuel, Power, Light & Lubricants

The index for this group rose by 0.7 per cent to 189.2 due to an increase in the prices of petrol, aviation spirit, diesel oil and castor-oil.

Industrial Raw Materials

The sub-group index for 'fibres' advanced by 2.4 per cent to 206.6 due to an incease in the prices of raw cotton, raw wool and raw silk. The prices of jute raw & mesta and hemp raw however, fell. Enhanced prices of all the oil-seeds raised the sub-group index for 'seeds' by 6.7 per cent to 357.2. The sub-group index for 'minerals' stood at 144.9 as against 144.7 for the previous month. Higher prices of raw hides, raw skins, lac and logs & timber pushed up the sub-group index for 'other industrial raw materials' by 8.1 per cent to 269.6.

Chemicals

The index for this group stood at 209.4 as against 209.2 for the last month. The price of sulphuric acid showed a slight rise.

Machinery & Transport Equipment

The sub-group index for 'electrical machinery' stood at 175.7 as against 175.6 for the earlier month. 'non-electrical machinery' moved up by 2.5 per cent to 188.8 due to an increase in the prices of machinery other than el[illegible] tile stores and [illegible] sub-group index for '[illegible] equipment' [illegible] ed at its previous month['s] [illegible] of 150.0.

Manufactures

'Manufactures' gr[illegible] rising of (a) intermed[illegible] ducts and (b) finished [illegible] advanced by 0.7 per [illegible] 187.9 during the mont[illegible] review. The index [illegible] mediate products' ad[illegible] 0.5 per cent of 232.6 d[illegible] increase in the pr[illegible]

Index Numbers of Industrial Production

(Base: 1960=[illegible])

Industry	Weight	1970	1971	1972	Prcentage variation of Column 3 over column 2	Column 4 over column [illegible]
	1	2	3	4	5	6
Basic Industries	25.11	221.7	233.8	254.0	+5.5	[illegible]
Mining and quarrying	9.72	149.0	153.4	164.2	+3.0	[illegible]
Salt refining	0.19	162.6	157.9	189.7	—2.9	[illegible]
Heavy organic chemicals	0.10	287.7	301.2	349.0	+4.7	[illegible]
Heavy inorganic chemicals	0.69	337.4	354.7	392.7	+5.1	[illegible]
Fertilizers	0.46	668.7	841.3	983.0	+25.0	[illegible]
Cement	1.17	177.9	190.8	200.8	+7.0	[illegible]
Iron and steel basic industries	6.23	187.8	186.3	203.3	—0.8	[illegible]
Aluminium manufacturing	0.57	508.7	557.9	579.2	+9.7	[illegible]
Brass manufacturing	0.29	628.7	70.4	71.2	+12.3	[illegible]
Electricity	5.37	334.0	358.5	390.0	+7.3	[illegible]
Capital Goods Industries	11.76	224.6	224.3	243.3	—0.1	[illegible]
Prime movers, boilers and steam generating plants	0.59	486.4	558.9	465.1	+14.9	[illegible]
Industrial machinery	0.93	120.6	86.3	119.3	—28.4	[illegible]
Machinery components and accessories	1.06	396.0	440.7	519.7	+11.3	[illegible]
Machinery, apparatus and supplies for generation etc. (power transformers)	0.38	553.9	685.5	747.8	+23.8	[illegible]
Electrical motors and furnaces	0.27	402.4	332.9	368.2	—17.3	[illegible]
Electrical cables and insulated wires	0.68	220.1	256.3	302.6	+16.5	[illegible]
Railroad equipment	3.50	93.6	69.0	78.4	+26.3	[illegible]
Motor vehicles	2.51	157.8	168.9	65.9	+6.7	[illegible]
Intermediate Goods Industries	25.88	158.8	160.4	171.0	+1.0	[illegible]
Cotton spinning	11.79	127.0	117.7	127.7	—7.3	[illegible]
Jute manufactures	3.97	85.1	94.7	96.8	+11.3	[illegible]
Tyres and tubes	1.48	258.3	295.4	312.8	+14.4	[illegible]
Synthetic fibres	0.64	230.7	232.3	260.2	+0.7	[illegible]
Dyestuff and dyes	0.61	195.4	187.1	192.7	—4.3	[illegible]
Paints, varnishes and lacquers	0.32	115.2	119.5	129.1	+3.7	[illegible]

(Contd.)

yarn, leather, zinc, ieets. copper sheets. lead. However, the f cotton yarn and coir, lined.

Products

sub-group index for recorded a fractional 1 per cent to 176.6 a advance in the prices manufactures (+1.9 to 175.3) and silk manufactures (+0.4 per cent to 131.7). The prices of jute manufatures (—5.4 per cent to 178.4), however, declined. The indices for woollen manufactures and coir mats & mattings stood stationary at their earlier month's levels of 324.7 and 201.4 respectively. The sub-group index for 'metal products' rose by 0.9 per cent to 206.1 due to an increase in the prices of iron & steel manufactures. An advance of 1.8 per cent to 165.2 in the index for 'non-metalic products' was caused by higher prices of bricks & tiles. 'Chemical products' also rose by 0.6 per cent to 160.2 owing to a rise in the prices of paints & varnishes, dyeing materials and insecticides. 'Leather products' moved up by 2.5 per cent to 102.6, 'rubber products' went up by 0.4 per cent to 161.3 due to an increase in the prices of other rubber products. The indices for 'paper products' and oilcakes' advanced by 0.7 and 4.4 per cent to 140.6 and 316.6 respectively. The sub-group index for 'misc. products' also registered a rise of 3.8 per cent to 129.5 due to an advance in the prices of plastic materials, lamps & lanterns and clocks & watches. On the whole, the index for 'finished products' rose by 0.7 per cent to 177.0 as against 175.7 for May 1973.

Index Numbers of Industrial Production—*(Contd.)*

(Base: 1960=100)

Industry	Weight	1970	1971	1972	Percentage variation of Column 3 over column 2	Percentage variation of column 4 over column 3
	1	2	3	4	5	6
um refinery products	1.34	297.3	316.9	317.2	+6.6	+0.1
ral clay products	0.77	302.3	317.8	381.8	+5.1	+20.1
s, fixtures and fasteners	0.85	104.8	111.0	118.7	+5.9	+6.9
es	0.38	232.3	243.6	259.8	+4.9	+6.7
ner Goods Industries	37.25	154.7	159.7	168.2	+3.2	+5.3
ner Non-durable Goods Industries	31.57	137.8	140.2	147.2	+1.7	+5.1
factories and refineries (sugar refined)	3.58	165.3	141.7	132.5	—14.3	—6.5
f hydrogenated oil (vanaspati)	1.09	154.4	174.8	178.4	+13.2	+2.1
	5.12	128.4	133.2	140.4	+3.7	+5.4
ttes	2.15	168.0	177.9	167.0	+5.9	—6.1
ng of cotton textiles	9.39	92.7	89.5	93.3	—3.5	+4.2
en worsted fabrics	0.36	167.1	193.1	234.5	+15.6	+21.4
and paper products	1.61	216.5	225.7	226.1	+4.2	+0.2
ear (rubber)	0.43	100.3	193.1	97.8	—2.2	—0.3
nd pharmaceutical chemicals	2.21	156.6	157.6	193.7	+0.6	+22.9
and other washing and cleaning compounds	0.95	195.6	234.7	289.2	+20.0	+23.2
es	0.50	88.0	80.2	73.9	—8.9	—7.9
and glass products	0.57	110.6	150.0	157.5	+35.6	+5.0
mer durable goods industries.	5.68	249.5	268.0	284.2	+7.4	+6.0
ercial office and household machines	0.53	143.6	177.5	180.2	+23.6	+1.5
ical appliances	0.56	190.9	228.2	282.4	+19.5	+23.8
unication equipment	0.61	661.1	726.6	721.3	—9.9	—0.7
r cycles and bicycles	0.62	266.5	259.7	292.4	—2.6	+12.6
al Index	100.00	180.8	186.1	199.3	+2.9	+7.1

Note:—Weights of individual industries may not add up to that of any of the groups as only selected industries are included in atement.

Source : Reserve Bank of India

Reserve Bank of India

(Rs lakhs)

	August 31, 1973	Aweek ago	A month ago	A year ago
Issue Department				
Notes held in banking department	47,40	31,87	35,06	58,95
Notes in circulation	5,370,16	5,435,14	5,577,91	4,604,71
Total notes issued	5,417,55	5,467,01	5,612,97	4,63,66
Gold coin and bullion	182,53	182,53	182,53	182,53
Foreign securities	177,37	177,37	177,37	211,65
Repee coin	12,94	12,39	12,70	35,16
Government of India rupee securities	5,044,72	5,094,72	5,240,38	4,324,31
Bakning Department				
Deposits of central government	82,76	74,76	98,15	54,58
Deposits of state government	34,88	5,44	18,18	25,65
Deposits of Banks	616,14	588,33	600,51	286,91
Other deposits	73,13	69,90	204,44	117,88
Other liabilities	1,167,55	1,133,14	1,051,91	952,56
Total liabilities or assets	1,974,46	1,871,61	1,973,20	1,437,58
Notes and coins	47,48	31,92	35,13	59,03
Balances held abroad	262,45	282,01	282,51	141,77
Loans and Advances to				
State governments	96,96	152,15	115,22	59,83
Scheduled commercial banks	6,37	4,32	5,24	2,63
State co-operative banks	241,01	233,38	223,49	227,81
Other loans an advances	166,14	166,03	166,67	103,11
Bills Purchased and Discounted				
Internal	2,12	2,70	4,40	1,42
Government treasury bills	536,95	535,05	326,67	416,07
Investments	449,23	422,51	765,43	389,39
Other assets	46,75	41,53	48,44	36,51

Scheduled Commercial Banks

(Rs [illegible])

	August 31, 1973	A week ago	A month ago	A [illegible]
1. Demand deposits	4,031,71	4,001,24	3,927,40	[illegible]
2. Time deposits	5,395,95	5,391,69	5,334,40	[illegible]
3. Aggregate deposits	9,427,66	9,392,93	9,261,80	[illegible]
4. Borrowing from Reserve Bank	6,37	4,32	5,24	[illegible]
5. Cash	251,70	258,71	251,23	[illegible]
6. Balance with Reserve Bank	600,60	571,76	584,47	[illegible]
7. Cash and balances with Reserve Bank	852,30	830,47	835,70	[illegible]
8. Investments in government securities	2,435,33	2.368,97	2.298.34	[illegible]
9. Advances	5,026,06	5,048,33	5,083,34	[illegible]
10. Inland bills purchased and discounted	876,73	869,94	906,40	[illegible]
11. Foreign bills purchased and discounted	273,48	271,14	253,80	204,[illegible]
12. Total bank credit	6,176,27	6,189,41	6,243,54	5,152,[illegible]
13. Percentage				
(7) to (3)	9,04	8,84	9,02	[illegible]
(8) to (3)	25,83	25,22	24.82	[illegible]
(12) to (3)	65,51	65,89	67,41	66,42

Sources: Reserve Bank of India

Money Supply with the Public

(Rs crores)

Week ended	1972 August 25	1973 July 27	August 3	August 10	August 17	August 24
Money Supply with the Public	8,341	9,794	9,790	9,802	9,774	9,713
Currency with the public	4,826	5,723	5,706	5,729	5,663	5,565
Other deposits with the Reserve Bank	77	42	37	34	35	33
Bank money	3,438	4,029	4,047	4,039	4,076	4,115
Factors Affecting Money Supply (1+2+3—4—5—6)						
1. Net bank credit to government sector	7,065	8,621	8,627	8,658	8,568	[illegible]
(a) Reserve Bank's net credit to government sector	4,923	6,214	6,244	6,304	6,135	[illegible]
(b) Banks credit to government sector	2,142	2,407	2,383	2,354	2,433	[illegible]
2. Net bank credit to commercial sector	1,849	2,003	1,966	1,994	1,948	[illegible]
Of which Banks* net credit to commercial sector (a—b)	1,641	1,723	1,695	1,724	1,679	[illegible]
(a) Claims on commercial sector	6,278	7,297	7,311	7,360	7,349	[illegible]
(b) Non-monetary liabilities of banks	4,637	5,574	5,616	5,636	5,670	[illegible]
3. Net foreign exchange assets of banking sector	543	663	646	648	640	[illegible]
4. Government's net currency liabilities to the public	412	433	434	436	436	[illegible]
5. Net non-monetary liabilities of the Reserve Bank	963	1,220	1,207	1,287	1,131	[illegible]
6. Residual	565	706	676	647	68	[illegible]

*Excluding Reserve Bank

Source: Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972 June	1973 Jan.	Feb.	Mar.	Apr.	May	June
					(Base: 1949=100)									
ndia	169	191	213	212	215	226	233	244	255	259	263	269	277	283
					(Base: 1960=100)									
ndia	—	—	—	174	177	186	192	201	210	213	216	221	228	233
ıedabad	130	148	168	165	169	176	181	187	211	215	219	219	224	233
ıye	145	158	183	198	197	198	202	213	211	213	219	226	239	260
ısol	140	145	168	176	178	189	194	202	205	202	212	216	222	—
;alore	144	159	172	180	183	186	194	203	223	222	228	234	243	247
⁄nagar	132	152	173	176	187	186	194	202	232	238	244	253	258	256
bay	130	147	162	167	175	182	190	201	205	208	212	217	225	230
utta	131	148	163	170	172	182	187	194	195	197	200	204	211	213
nbatore	132	144	151	147	154	163	177	184	193	194	197	199	201	204
ıi	136	152	172	178	185	199	211	216	226	227	231	235	241	250
ɔoi	138	160	198	185	180	189	188	194	198	202	207	209	216	217
lior	139	160	191	179	184	191	197	207	220	222	230	243	244	249
⁄rah	137	154	178	181	176	186	191	204	205	206	211	212	218	219
erabad	140	158	167	173	185	189	195	203	215	220	224	229	239	245
shedpur	136	158	183	171	170	183	187	197	200	206	209	217	224	229
lras	134	144	151	150	160	170	182	197	211	211	212	213	217	221
lurai	128	142	146	148	162	183	192	197	219	215	209	212	218	221
ıghyr	151	187	215	185	188	205	204	222	223	228	232	249	255	—
ıdakayam	138	152	173	186	191	197	199	207	210	209	211	218	237	252
pur	138	148	164	166	176	187	192	201	204	206	207	210	217	220
ıranpur	141	163	188	176	181	186	196	209	220	220	222	222	228	—
lapur	128	150	165	167	176	185	198	200	229	232	240	248	259	266

Source: Labour Bureau, Govt. of India.

Consumer Price Index Numbers for Urban Non-Manual Employees

(Base: 1960=100)

Centre	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972 April	Nov.	Dec.	1973 Jan.	Feb.	Mar.	Apl.
ndia	132	146	159	161	167	174	180	185	194	194	195	196	199	202
bay	132	142	153	156	162	168	172	177	184	184	184	186	191	195
ıi-New Delhi	131	142	154	162	168	174	180	188	189	189	190	192	193	195
utta	126	139	152	156	162	170	174	174	182	181	180	180	181	184
ras	133	147	154	154	161	175	188	196	207	209	210	211	213	214
erabad-cunderabad	133	147	155	159	167	174	180	184	196	200	202	204	206	208
;alore	133	145	156	160	164	172	180	187	195	197	198	201	204	206
now	132	146	159	156	161	166	174	177	185	185	186	190	193	192
ıedabad	131	146	160	162	168	171	173	179	190	193	194	198	203	205
ır	133	150	162	168	176	183	188	196	205	208	208	210	214	216
a	139	160	170	174	180	191	190	193	203	202	199	202	203	205
agar	134	143	160	167	174	184	191	197	202	202	203	201	203	204
andrum	131	146	165	168	172	178	184	190	201	203	205	205	206	208
ack-ıubaneswar	142	154	164	167	169	176	184	186	201	198	196	196	198	200
ɔal	133	144	166	166	172	180	188	192	208	208	208	208	210	213
ıdigarh	129	143	155	164	171	178	183	191	193	193	193	193	198	198
ong	123	134	155	163	164	166	175	179	186	186	183	185	186	193

Source: Central Statistical Organization

Subsidiaries of foreign companies

THE FOLLOWING statements give the names of (i) wholly foreign-owned companies operating in India and their [illegible] business and (ii) the foreign companies which have been allowed Indian participation and the extent of such particip[illegible] These statements were laid on the table of Rajya Sabha by the Finance minister Mr Y. B. Chavan, on August 28, 1973 in [illegible] to a 'starred' question put by six Members of Parliament.

Names and Nature of Business of 100% Indian Subsidiaries of Foreign Companies as on March 31, 1971

S. No.	*Name of Indian Subsidiary*	*Nature of Business*
	CANADA	
1.	Aluminium Production Co. of India Ltd., Calcutta	Commission agents.
	HUNGARY	
2.	Mavag (Overseas Exports) Pvt. Ltd., Bombay	Import and export of machinery.
	ITALY	
3.	Industrial & Chemicals Plants Pvt. Ltd., Calcutta	Manufacture of machinery other than transport, textiles sewing machines and gas plants.
4.	Mingoa Pvt. Ltd , Goa	Production and export of Iron ore.
	JAPAN	
5.	Indo Asahi Glass Co. Ltd., Calcutta	Glass and glassware (except optical lense)
	PANAMA	
6.	Ducehem Laboratories Ltd., Bombay	Dealing in medicinal products.
	SWEDEN	
7.	Asea Electric (India) Pvt. Ltd., Bombay	Trading in electrical goods.
8.	Atlas Capco (India) Pvt. Ltd., Bombay	Manufacture of pneumatic equipment.
9.	S.K.F. Ball Bearing Co. Pvt. Ltd., Bombay	Importers/exporters of ball and roller bearings.
10.	General Superintendence Co. (India) Pvt. Ltd., Bombay	Cargo supervisors.
	UNITED KINGDOM	
11.	Alfred Herbert (India) Pvt. Ltd., Calcutta	Manufacture and sale of machine tools, industrial machinery.
12.	All India Tobacco Co. Pvt. Ltd., Calcutta	Manufacture of tobacco products other than cigarettes.
13.	Aluminium Hindustan Pvt. Ltd., Calcutta	Dealing in aluminium and aluminium products.
14.	Andhra Fertilizers Pvt. Ltd., Madras	Manufacture of fertilizers and chemicals.
15.	Bank Line (India) Pvt. Ltd., Calcutta	Transport by air.
16.	Beecham (India) Pvt. Ltd., Bombay	Manufacture of tooth paste and cosmetics.
17.	Besto Bell India Pvt. Ltd., Calcutta	Asbestos and asbestos cement products.
18.	Birds Eye Foods (India) Pvt. Ltd., Bombay	No business activity.
19.	Blackwood Hodge (India) Pvt. Ltd., Calcutta	Wholesale trade other than food stuffs.
20.	Bombay Company Pvt. Ltd., Bombay	Wholesale trade other then foods stuffs.
21.	Brindavan Properties Pvt. Ltd., Calcutta	Export trading in tea.
22.	British India Steam Navigation Co. (India) Pvt. Ltd., Calcutta	—
23.	British Metal Corporation (India) Pvt. Ltd., Calcutta	Metal products other than brassware, copper and aluminium.
24.	British Steel Piling Co. (India) Pvt. Ltd., Bombay	Metal products.
25.	Burmah Shell Refineries Ltd., Bombay	Petroleum reflneries.
26.	Burroughs Wellcome & Co. (India) Pvt. Ltd., Bombay	Manufacture of drugs and pharmaceuticals.
27.	Cadbury Fry (India) Pvt. Ltd., Bombay	Bakeries & confectioneries.
28.	Gandy Filters (India) Ltd., Bombay	Sanitary works and services
29.	C.E. Fulford (India) Pvt. Ltd., Bombay	Manufacture of drugs and pharmaceuticals.
30.	Cleveland Construction Co. (Pvt). Ltd., Calcutta	Wholesale trade other than food stuffs.
31.	Columbia Gramephone Co. of India (Pvt.) Ltd., Calcutta	Publishing of music magazines.
32.	Courtaulds (India) Pvt. Ltd., Bombay	Silk reeling, spinning and weaving.
33.	Cycle & Automobile Components (Pvt.) Ltd., Calcutta	Dealers, importers and exporters of automobile and cycle parts.
34.	Dobson & Barlow (Rayon Plants) Co. Ltd., Bombay	Indenting agents for British machinery for rayon.
35.	Eastern Bank Trustee Executor Co. (India) Pvt. Ltd., Bombay	Business Service.
36.	E. Green & Son (India) Pvt. Ltd., Bombay	Trading in fuel economizers.
37.	E. Hill & Co. Pvt. Ltd., Mirzapur.	Manufacture of carpets and rugs other than [illegible]
38.	Eyre Smelting private Ltd., Calcutta	Iron and steel basic manufacture.
39.	F. F. Chrestien & Co. Ltd., Bombay	Mining of metalic minerals other than gold, [illegible] manganese, copper, aluminium, lead, zinc and silver
40.	F. L. Smidth & Co. (Bombay) Pvt. Ltd., Bombay	Consulting engineers to cement manufacturers and suppliers of machinery & spares.

(Contd.)

Name and Nature of Business of 100% Indian Subsidiaries of Foreign Companies as on March 31, 1971—(*Contd.*)

Name of Indian Subsidiary	Nature of Business
Gestetner Duplicators Pvt. Ltd., Calcutta	Manufacture of duplicating machines.
Gorden Woodroffie (Belting) Pvt. Ltd., Madras	Manfacture of leather belting and leather sundries.
Gresham & Carven of India Pvt. Ltd., Calcutta	Manufacture of industrial machinery.
Gulf Oil (India) Pvt. Ltd., Bombay	Manufacture of petroleum products.
Ilford Selo (India) Ltd., Bomby	Dealing in photographic and X-Ray material.
I.C.I. (India) Pvt. Ltd., Calcutta	Manufacture of chemicals and dyes.
India Foils Ltd., Calcutta	Dealers in aluminium foils.
Indian Molasses Co. Ltd., Calcutta	Manufacture of gur and molasses.
Indian Textile Engineers Pvt. Ltd., Bombay	Manufacture of textile machinery and accessories.
Indian Trading (Holdings) Pvt. Ltd., Digboi	Investments and trusts.
India Tyre & Rubber Co. (India) Pvt. Ltd., Bombay	Rubber tyres and rubber products.
International Combustion (India) Pvt. Ltd., Calcutta	Manufacture of grinding mills.
International Computers (India) Pvt. Ltd., Bombay,	Selling and letting out on hire data processing machines and computors.
ICL Computers (India) Pvt. Ltd., Bombay	Selling of data processing machines.
J &P Coats Pvt. Ltd., Bombay	Thread and thread ball making.
J.D. Duffs & Co. Pvt. Ltd., Calcutra	Dealers in wholesale commodities other than food stuffs.
John Thomson (India) Pvt. Ltd., Calcutta.	Manufacture of pressure vessels and boilers.
J. Stone & Co. (India) Pvt. Ltd., Calcutta	Manufacture of trainlighting equipments.
Lagan Jute Machinery Co. Ltd., Calcutta	Manufacture of jute machinery and spare parts.
Lucas Indian Service Ltd., Madras	Manufacture and sale of ignition coils and distributor cover.
Lucas Electrical Tracter Service Ltd., Madras.	Manufacture of machinery.

(*Contd.*)

Name and Nature of Business of 100% Indian Subsidiaries of Foreign Companies as on March 31, 1971

S. No.	Name of Indian Subsidiary	Nature of Business
62.	Machine Tools (India) Pvt. Ltd., Calcutta	Manufacture of machine tools.
63.	Mackinnon Mackenzie Co. Pvt. Ltd., Bombay	Shipping agency.
64.	Macmillian Co. of India Pvt. Ltd., Madras	Publishers and book sellers.
65.	Marshalls (Digestion) Pvt. Ltd., Calcutta	Trading in commodities other than foodstuffs.
66.	May & Baker (India) Pvt. Ltd., Bombay	Distributors of medicines.
67.	Merchantile Bank Agency Pvt. Ltd.,	Executorship and trusteeship
68.	Oriental Carpet Manufacturers (India) Pvt. Ltd., Ameritsar	Manufacture of woollen & worsted yarn etc.
69.	Parry & Co. Ltd., Madras.	Bakeries and confectionaries.
70.	Readers Digest Association Pvt. Ltd., Bombay	Publishing magzines
71.	Roneo Vickers India Ltd., New Delhi	Manufacture of duplicating machines and office equipment.
72.	R.K.O. Radio Pictures Pvt. Ltd., Bombay	Production and distribution of motion pictures.
73.	Sir Lindsey Parkinson (India) Ltd., Calcutta	Construction of building other than roads, bridges [illegible]gation works.
74.	Tyresoles Concessionaries Pvt. Ltd., Bombay	Reconditioning of pneumatic tyres.
75.	Vickers India Pvt. Ltd., New Delhi	Import export of light engineering products.
76.	Weddel (India) Ltd., Calcutta	Exporters and dealers in jute goods and leather.
	U.S.A.	
77.	Abbott Laboratories (India) Pvt. Ltd., Bombay	Manufacture of drugs and pharmaceuticals.
78.	Amexo Nominees Pvt. Ltd., Bombay	To act as nominees and agents
79.	Aviquipo of India Pvt. Ltd., Calcutta	——
80.	Caltex Oil Refining (India) Ltd., Bombay	Petroleum refineries.
81.	Colgate Palmolive (India) Pvt. Ltd., Bombay	Manufacture of perfume cosmetics and other toilet preparations.
82.	Corn Products Co. (India) Pvt. Ltd., Bombay	Manufacture of vitaminised glucose powder, baking powder, synthetic syrups etc.
83.	Dodge & Seymore (India) Pvt. Ltd., Bombay	Wholesale distribution of machines and tools etc.
84.	ESSO Standard Refining Co. of India Ltd., Bombay	Petroleum refineries.
85.	Ethnore Ltd., Bombay	Manufacture of drugs and pharmaceuticals.
86.	Firesrone Tyre & Rubber Co. of India Pvt. Ltd., Bombay	Manufacture of tyres and tubes and other rubber products.
87.	Honey Well India Ltd., Bombay	——
88.	Ingersoll Rand (India) Ltd., Bombay	Manufacture of compressed air equipment.
89.	International General Electric Co. (India) Ltd., Bombay	Dealers/importers/exporters in electrical goods.
90.	Muller & Phipps (India) Pvt. Ltd., Bombay	Talcum powder soaps.
91.	Penwalt India Ltd., Bombay	Engineering and Engineering consultants.
92.	Tri-sure India Pvt. Ltd., Bombay	Manufacture of metel closures.
93.	Universal Pictures (India) Ltd., Bombay	Motion pictures, distribution of projection.
94.	Wyeth (India) Pvt. Ltd., Bombay	Providing manufacturing facilities to other companies.

Note : The above statement has been prepared from the list of Indian subsidiaries of foreign companies as at the end of March 1971, compiled by the Department of Company Affairs. In addition the case of Burmah Shell Refineries Ltd., has also been included,

Statement I[illegible]

An Illustrative List of one time 100% Foreign Owned Companies in which Indian Capital has been Associated since 1964

S. No.	Name of the Company	Extent of Indian participation permitted (per cent)	Remarks
1.	Hindustan Ferodo Ltd.	20	
2.	Stewarts & Lloyds of India Ltd.	36.2	
3.	Pfizer Ltd.	25	
4.	Westinghouse Saxby Farmer Ltd.	36.2	
5.	A.E.I. (India) Ltd.	33.34	Later merged with G.E.C.
6.	Candy Filter (India) Ltd.,	50	Increased to 100% because entire holdings were purchased by Morarkas.
7.	Remington Rand of India Ltd.	35	
8.	Goodlas Nerolac Paints Ltd.	20	
9.	Avery Co. of India Ltd.	40	
10.	Brooke Bond (India) Ltd.	25	
11.	Roneo Vickers India Ltd,	40	
12.	William Jacks & Co. (I) Ltd.	51	
13.	Glaxo Laboratories (I) Ltd.	25	
14.	J. L. Morison Son & Jones (India) Ltd.	52	
15.	Vulcan—Lavel Ltd.	25	
16.	Reckitt & Colman of India Ltd.	30	
17.	Tribeni Tissues Ltd.	26	
18.	G.E.C. of India Ltd.	8	to 10 (increased to [illegible] on 27-9-1971)
19.	Pennwalt (India) Ltd.	51.5	
20.	Bestobel (India) Ltd.	40	
21.	Atlas Copco (India) Ltd.	40	
22.	Alfred Herbert (India) Ltd.	40	
23.	J. Stone & Co. (I) Ltd.	40	
24.	Bitcorp Ltd.	40	
25.	Bata India Ltd.	33.34	
26.	E. Merck Ltd.	40	
27.	S. H. Benson (India) Pvt. Ltd.	60	
28.	Hindustan Thomson Associates Ltd.	60	
29.	Lintas India Ltd.	60	
30.	S.K.F. Ball Bearing Co. Ltd.	60.1	

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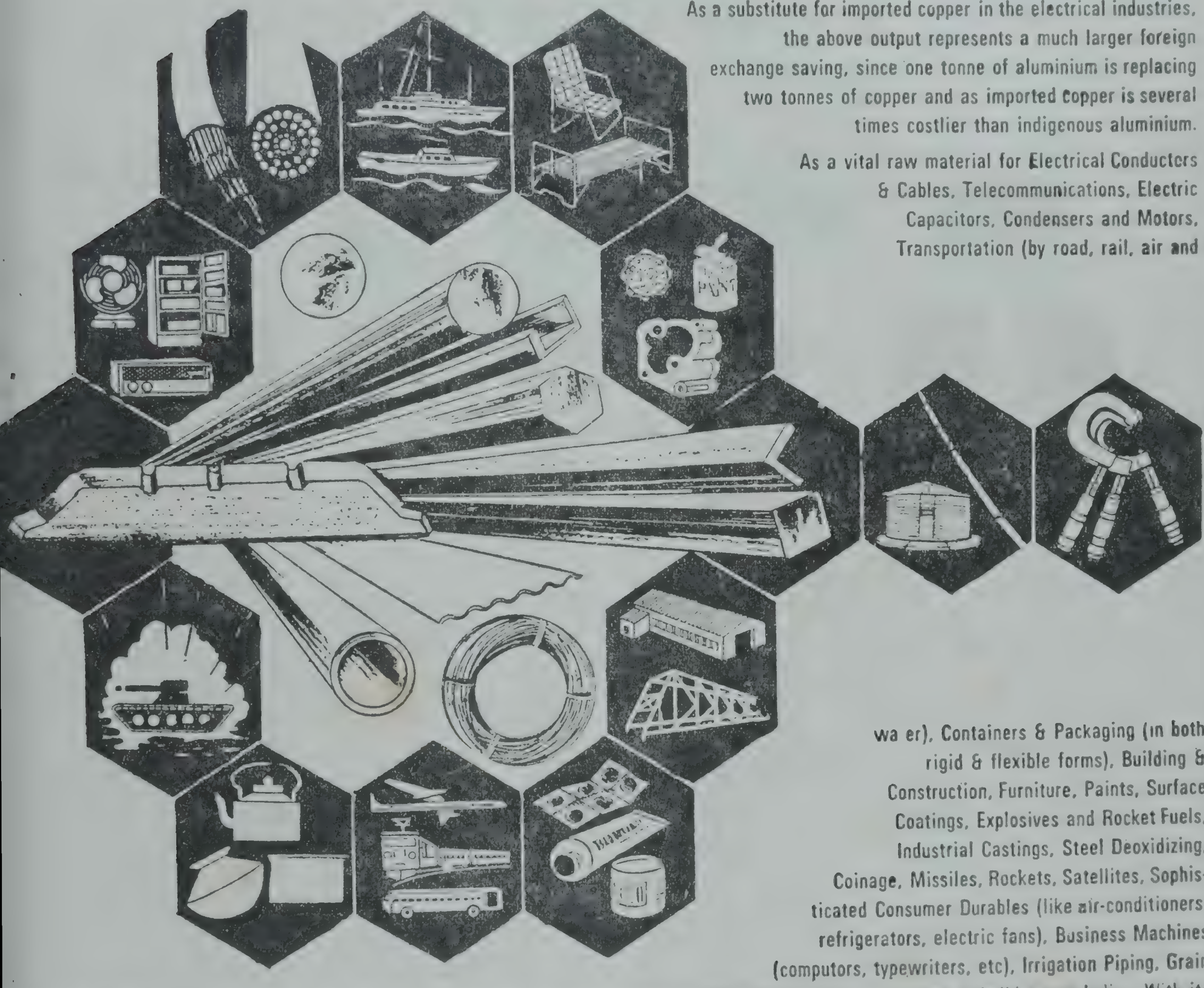
In May, 1962 Hindalco started production of aluminium with a smelter capacity of 20,000 tonnes a year. The capacity was raised to 40,000 tonnes in November, 1965, 60,000 tonnes in August, 1967 and to 80,000 tonnes in May, 1969. Plans are in hand to expand the plant further to 120,000 tonnes by end-1973.

Between May, 1962 and December, 1970 Hindalco, now India's largest producer of aluminium, has produced 372,903 tonnes of aluminium, which has saved for the nation nearly Rs. 180 crores of precious foreign exchange.



As a substitute for imported copper in the electrical industries, the above output represents a much larger foreign exchange saving, since one tonne of aluminium is replacing two tonnes of copper and as imported copper is several times costlier than indigenous aluminium.

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Pass I

EASTERN ECONOMIST

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